A/59/5/Add.3

United Nations

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Financial report and audited financial statements

for the biennium ended 31 December 2003 and

Report of the Board of Auditors

General Assembly
Official Records
Fifty-ninth Session
Supplement No. 5C (A/59/5/Add.3)

General Assembly
Official Records
Fifty-ninth Session
Supplement No. 5C (A/59/5/Add.3)

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Financial report and audited financial statements

for the biennium ended 31 December 2003 and

Report of the Board of Auditors

United Nations • New York, 2004

Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

ISSN 1020-2439

[27 July 2004]

Contents

Chapter		Page
	Letters of transmittal	vi
I.	Financial report for the biennium ended 31 December 2003	1
	A. Overview	3
	B. Activities of the United Nations Relief and Works Agency for Palestine Refugees in the Near East	3
	C. Financial results	10
	D. Microfinance and microenterprise programme	11
	E. Area Staff Provident Fund	11
II.	Report of the United Nations Board of Auditors	12
	A. Introduction	13
	1. Previous recommendations not fully implemented	14
	2. Main recommendations	14
	B. Financial issues	15
	1. Financial overview of the United Nations Relief and Works Agency for Palestine Refugees in the Near East	15
	2. United Nations system accounting standards	16
	3. Presentation and disclosure of the financial statements	16
	4. Cash management	19
	5. Accounts receivable	20
	6. Fixed assets	20
	7. Liabilities	21
	8. End-of-service benefits	21
	9. Write-offs of losses of cash, receivables and property	22
	10. Ex gratia payments	22
	C. Management issues	22
	1. Treasury review	22
	2. Microfinance and microenterprise programme	27
	3. Area Staff Provident Fund	30

4. Audit and Inspection Committee 36
5. Audit and Inspection Department 38
6. Third-party reviews 39
7. Human resources management 41
8. Training 44
9. Asset management 45
10. Procurement 45
11. Information and communication technology 46
12. Fraud and related matters 50

D. Acknowledgements 51

Annex
Summary of status of implementation of recommendations for the financial period ended 31 December 2001 52

III. Audit opinion 53

IV. Certification of the financial statements 54

V. Financial statements for the biennium ended 31 December 2003 55

A. Financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the biennium ended 31 December 2003 56

Statement 1. Statement of income, expenditure and changes in working capital and fund balances 56

Statement 2. Assets and liabilities statement 57

Statement 3. Cash flow statement 58

Statement 4. Budget and expenditure 59

Statement 5. Statement of working capital and fund balances 60

Statement 6. Non-regular funds — projects: statement of income, expenditure and changes in fund balances 61

Statement 7. Non-regular funds — projects: assets and liabilities statement 62

Notes to the financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East 63

B. Appendices and annex to the financial statements 71

Appendix 1. Regular budget expenditure 71

Appendix 2. Expenditure breakdown 74

Appendix 3. Statement of income, expenditure and fund balances by project 75

Appendix 4. Donor contributions and outstanding confirmed pledges 103

Annex
General Fund production units and canteen revenues 108

C. Financial statements of the microfinance and microenterprise programme 109
Statement A. Balance sheet 109
Statement B. Statement of operating activities 110
Statement C. Statement of activities in restricted funds and changes in net assets 111
Statement D. Statement of cash flow 112
Notes to the microfinance and microenterprise programme financial statements 113
D. Financial statements of the Area Staff Provident Fund 130
Statement of financial performance 130
Statement of net assets 131
Statement of changes in members' credits and income 132
Cash flow statement 133
Statement of investments and investment income 134
Percentage breakdown of investment balances 135
Percentage breakdown of investments by type 135
Administration expenses 136
Notes to the Provident Fund financial statements 137

Letters of transmittal

1 March 2004

Pursuant to financial regulations 11.4 and 12.1 of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), I have the honour to submit the accounts of UNRWA for the biennium ended 31 December 2003, which I hereby approve. The financial statements have been prepared and certified as correct by the Comptroller.

I would like to take this opportunity to also confirm to you and to the stakeholders of the Agency that UNRWA has:

(a) An established and defined culture of accountability, an organizational architecture commensurate with the complexity faced in UNRWA operations, an internal control structure that is sound and functioning and a managerial structure that is transparent and is utilized to keep managers informed of UNRWA activities, challenges and developments;

(b) Reporting processes that provide reasonable assurance that the UNRWA financial statements present fairly, in all material aspects, the results of operations and the financial position of UNRWA in accordance with generally accepted accounting principles;

(c) Cost-effective control systems, which provide reasonable assurance that the Agency's operational and quality objectives will be achieved. Those objectives include but are not limited to reliable external disclosures, safeguarding of assets, prevention of fraud, compliance with the rules and regulations, elimination of unnecessary costs and maximization of income;

(d) Ongoing assessment and oversight processes, which review the significant internal control and risk issues identified by UNRWA internal and external auditors. UNRWA has initiated steps to adjust or add controls in areas where the risks associated with the non-achievement of UNRWA operational and quality objectives were considered to be excessive and/or unacceptable.

Yours faithfully,

(*Signed*) Peter **Hansen**
Commissioner-General
UNRWA

The Chairman of the Board of Auditors
United Nations
New York

9 July 2004

I have the honour to transmit to you the financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the biennium ended 31 December 2003, which were submitted by the Commissioner-General. The statements have been examined by the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts, including an audit opinion thereon.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Financial report for the biennium ended 31 December 2003

Summary

For the biennium 2002-2003 the budget deficit of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was $32.2 million, as the Agency received only $634.6 million in income against its General Assembly approved cash and in kind budget (referred to as the regular budget) of $666.8 million. However, UNRWA ended the biennium with a net excess of income over expenditure of $29.0 million for its regular budget activities. The major factors contributing to the surplus were extraordinary exchange rate gains amounting to $17.0 million during the biennium and accrued contribution income of $10.2 million at the end of the biennium. An adjustment of the financial results for those two items would result in an excess of income over expenditure of only $1.8 million arising from normal operations during the biennium owing to the cost-containment measures and strict financial management implemented to bring expenditures in line with anticipated income. As a result of the exchange rate gains during the biennium, a reserve of $10.0 million has been established to protect the Agency from any future exchange-rate losses. The closing balance of the Agency's working capital in respect of its cash regular budget activities amounted to $32.3 million, as compared with $9.1 million as at 31 December 2001.

The consolidated cash balance, which was $56.5 million at the beginning of the biennium, increased to $140.6 million as at 31 December 2003. Of that total, $57.6 million was committed for the emergency appeal, $3.3 million for the purchase of basic commodities, $23.1 million for funding project activities and $6.3 million for the microfinance and microenterprise programme, leaving a balance of $50.3 million available for regular budget operations. The significant exchange-rate gains realized ($10.9 million), the receipt of outstanding value-added tax reimbursements ($14.0 million) during the biennium and income received during the last quarter of 2003 ($62.2 million) contributed to the improvement in the cash balance.

The Agency's total regular and non-regular budget for the biennium was $1,050.8 million. Against that, UNRWA received total income, including other income, of $846.0 million during the biennium and spent $820.6 million, resulting in a total excess of income over expenditure of $25.4 million.

As in the past, the education programme accounted for a major portion of the expenditure under the regular budget, accounting for 59.8 per cent of total expenditure. The health programme was next with 17.5 per cent, followed by operational and common services with 13.2 per cent and relief and social services with 9.5 per cent, as shown in the following table (amounts in United States dollars):

Programme	Approved budget		Actual expenditure		Variance in expenditure	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Education	351 321 000	52.7	360 134 299	59.8	(8 813 299)	(2.5)
Health	119 573 000	17.9	105 338 960	17.5	14 234 040	11.9
Relief and social services	68 538 000	10.3	57 036 825	9.5	11 501 175	16.8
Operational services	39 435 000	5.9	38 718 068	6.5	716 932	1.8
Common services	87 903 000	13.2	40 437 419	6.7	47 465 581	54.0
Total	**666 770 000**	**100.0**	**601 665 571**	**100.0**	**65 104 429**	**9.8**

The adverse variance in education programme expenditures is attributable to an exceptional increase in salaries, which was approved following a comprehensive salary survey in the Agency's fields of operation to align the UNRWA salary scales with national averages, and one-time allowances paid to staff in the West Bank and Gaza Strip in recognition of the difficult working conditions. This resulted in an overexpenditure of $8.5 million on staff costs in the education programme, where the majority of UNRWA staff are employed as teachers.

Expenditure against non-regular funds during the biennium totalled $219.0 million. The emergency appeal, post-1999 projects and the peace implementation programme absorbed a large portion of that expenditure, accounting for $185.0 million, $27.7 million and $5.5 million respectively.

The severe economic decline in the West Bank and the Gaza Strip adversely affected the lending activities of the microfinance and microenterprise programme and loan repayments during the biennium. As a result, the programme incurred a net loss of $2.0 million on its operations in 2002-2003, leading to the partial erosion of its capital base.

The market value of investments of the Area Staff Provident Fund at the end of the biennium end was $861.3 million. The income available as credit to participants in the Provident Fund totalled $109.7 million as at 31 December 2003.

A. Overview

1. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly in its resolution 302 (IV) of 8 December 1949 as a separate entity within the United Nations system, and it began operations on 1 May 1950. The Agency's mandate has been renewed repeatedly, most recently in Assembly resolution 56/52 of 10 December 2001, when it was extended until 30 June 2005. UNRWA reports directly to the General Assembly. A 10-member advisory commission, which includes representatives of the Agency's major donors and host Governments, undertakes an annual review of UNRWA programmes and activities.

B. Activities of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

2. UNRWA provides educational, health and relief and social services to some 4.14 million Palestine refugees in Jordan, Lebanon, the Syrian Arab Republic and the West Bank and Gaza Strip. UNRWA headquarters are located in Gaza and Amman.

3. Throughout its 54 years of providing humanitarian and human development services in the area, the Agency has demonstrated a capacity to adapt and enhance its programmes as required to cope with developments in the region and stands ready to continue doing so in accordance with the mandate it receives from the General Assembly.

4. A number of challenges for the work of UNRWA have arisen since the outbreak of strife in the occupied Palestinian territory in September 2000. The continuing strife, the severely deteriorating economic conditions for the refugees and the restrictions on the flow of goods, services and labour have greatly increased demands on the Agency's humanitarian operations in the Gaza Strip and the West Bank.

1. Education programme

Mission

5. The mission of the Agency's education programme is to help Palestine refugee children and youth acquire the basic knowledge and skills needed to become productive members of their communities in accordance with the needs of the labour market as well as their identity and cultural heritage.

Objectives

6. The objectives of the programme are as follows:

(a) Provision of a general education to Palestine refugee children and youth at the elementary and preparatory levels, as well as at the secondary level in Lebanon only;

(b) Provision of university-level pre-service teacher education for young Palestine refugees as well as in-service teacher education for UNRWA teachers to enable them to improve the quality of education in UNRWA schools;

(c) Provision of vocational and technical education and training for young Palestine refugees to enable them to become skilled, productive citizens and contribute to the well-being of their communities;

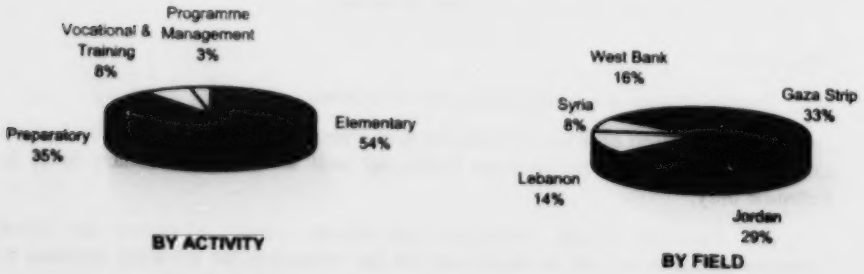
(d) Provision of job-placement assistance to graduates of the Agency's vocational training centres and enhancement of career guidance and counselling services provided to the Agency's preparatory and secondary school students as well as vocational and technical school graduates.

Results

7. During the biennium, 490,949 and 491,978 children were enrolled for the school years 2002/03 and 2003/04 respectively in the Agency's 663 elementary, preparatory and secondary schools (the latter in Lebanon only), which were staffed by 15,814 teachers. In addition, a total of 287,089 refugee pupils attended other government and private elementary, preparatory and secondary schools at no cost to UNRWA. During the biennium, vocational, technical and teacher education was provided at the Agency's eight training centres and by three education science faculties for 6,048 and 6,419 students enrolled for the 2002/03 and 2003/04 training years respectively. Some 570 instructors taught in those training centres during the biennium. In-service teacher training courses were provided by the Institute of Education at UNRWA headquarters in Amman through five educational development centres in the Agency's area of operation, for 521 and 733 education staff members in two school years. Through the UNRWA scholarship programme, which was funded entirely from earmarked donor contributions, 56 students were awarded university scholarships for the academic year 2002/03. With the graduation of all those students, the education programme will no longer provide scholarships because of a lack of funding. The Agency's expenditure on the education programme during the biennium was $360.1 million against the General Assembly approved budget of $351.3 million. Education expenditure represented 59.8 per cent of the Agency's regular budget expenditure.

8. The distribution of educational services expenditures by activity and field location is shown in figure I.1.

Figure I.1
Distribution of education programme expenditure



2. Health programme

Mission

9. The mission of the Agency's health programme is to protect, preserve and promote the health status of the registered Palestine refugees and to meet their basic health needs consistent with the basic principles and concepts of the World Health Organization, as well as with the standards achieved by the public health sector in the Agency's area of operations.

Objectives

10. The objectives of the programme are as follows:

(a) Preserving the sustainable investment achieved in primary health care by implementing appropriate intervention strategies with a high potential impact on health outcomes, especially in the areas of disease prevention and control and maternal and child health;

(b) Enhancing the process of institutional capacity-building in order to maximize system performance, improve service quality and increase efficiency and cost-effectiveness;

(c) Maintaining environmental health conditions in refugee camps consistent with the levels provided by local municipalities by implementing developmental projects to improve camp water, sewerage and drainage and solid waste disposal infrastructure;

(d) Harmonizing health policies and service standards with those of the host authorities in order to make optimal use of scarce resources and avoid incompatible priorities;

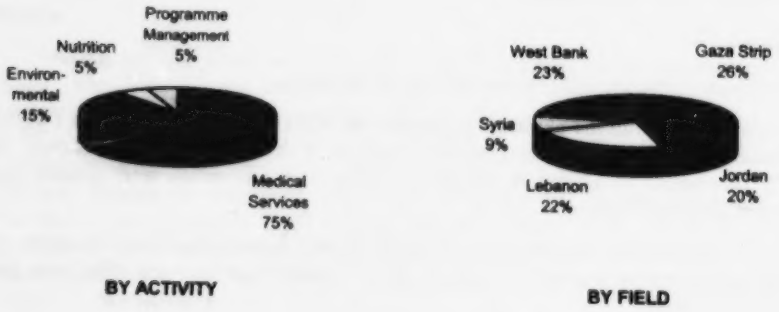
(e) Responding to emergency situations in the Agency's areas of operations by preventing breakdowns in service delivery, quality and sustainability.

Results

11. The Agency offers comprehensive primary health care services to Palestine refugees in the five areas of operation, comprising disease prevention and control and maternal and child health care, including family-planning services. Those services are provided through 122 primary health-care facilities. During the biennium, a total of 19,009,264 visits were made to those clinics by refugee patients for medical and dental consultations and other treatment, such as injections and dressings. Assistance towards hospital charges is provided either at contracted hospitals or through partial reimbursement of costs. UNRWA also runs a small hospital in Qalqilia in the West Bank and operates six maternity units integrated within the largest health centres in the Gaza Strip. With hospitalization assistance, refugees treated during the biennium at UNRWA hospital and maternity units and at contracted hospitals utilized a total of 284,771 bed-days. Environmental health services are also part of the health programme, as is the supplementary feeding programme for pregnant women and nursing mothers. The total expenditure on the health programme for the biennium amounted to $105.3 million against the General Assembly approved budget of $119.6 million. The health programme accounted for 17.5 per cent of the Agency's regular budget expenditure.

12. The distribution of the health programme's expenditures by activity and field location is depicted in figure I.2.

Figure I.2
Distribution of health programme expenditures



3. Relief and social services

Mission

13. The mission of the Agency's relief and social services programme is to provide the most disadvantaged Palestine refugees with humanitarian assistance and to promote the self-reliance of less advantaged members of the refugee community, such as women, youth and the physically challenged. The Department of Relief and Social Services also serves as the custodian of the historical records of some 4.1 million Palestine refugees.

Objectives

14. The objectives of the programme are as follows:

(a) Providing the neediest eligible families with basic subsistence support;

(b) Improving the housing conditions of "special hardship" families;

(c) Delivering targeted assistance to families with small-scale emergency needs during an economic or humanitarian crisis;

(d) Strengthening the institutional capacity of community organizations in the camps to better serve the needs and promote the rights of persons with disabilities, youth and women;

(e) Updating monthly and maintaining daily the content of the computerized registration records of approximately 4.1 million refugees;

(f) Maintaining the capacity to respond to large-scale emergencies, with a special focus on the short-, medium- and long-term demands arising from the crisis in the West Bank and the Gaza Strip, which began in September 2000;

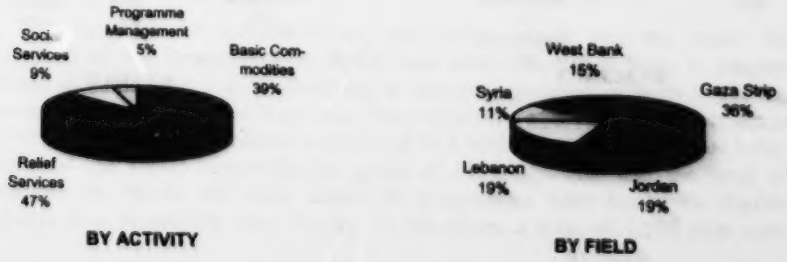
(g) Maximizing the use of limited resources through increased operational efficiencies, inter-agency and interdepartmental cooperation, ongoing consultation with host authorities, programmatic, funding and professional collaboration with local and international non-governmental organizations and various cost-sharing and self-help mechanisms.

Results

15. During the biennium, 228,912 refugees (of whom 212,228 were ration recipients) and 246,753 refugees (of whom 229,158 were ration recipients) were enrolled in the special hardship programme respectively. This constitutes roughly 5.6 per cent of the total registered refugee population during any single year. Those individuals belonged to 57,531 and 60,784 families respectively, with an average of four persons per family receiving "special hardship" assistance. This assistance consisted of quarterly food support and cash subsidy, preferential access to vocational and teacher training (offered through the Department of Education) and small grants or loans to establish individual or group "self-support" projects and shelter rehabilitation to the extent that extrabudgetary funds were available. A total of 281 social workers provided counselling and support to help families cope with the difficulties causing or aggravating their socio-economic problems. Selective cash assistance for those in extreme distress (emergencies) was continued during the biennium with a total of $500,000 distributed among the five fields each year. The Department continued its poverty alleviation programme, providing credit opportunities, awareness-raising and skills training. Separate technical and financial support focused on building up the capacities of 108 refugee-administered community-based organizations (serving women, children and persons with disabilities) to become managerially and financially self-sustaining. During the biennium, 190,053 participants benefited directly from the activities of these programmes. The Agency's eligibility and registration staff continued the monthly updates of information contained in the Field Registration System database on 4.1 million refugees and continued to maintain the Field Social Study System database, which tracked the socio-economic data of the special hardship families. Total expenditure on the relief and social services programme during the biennium amounted to $57.0 million against the General Assembly approved budget of $68.5 million. Relief and social services expenditure represented 9.5 per cent of the Agency's regular budget expenditure.

16. The distribution of relief and social services expenditures by activity and field location is set out in figure I.3.

Figure I.3
Distribution of relief and social services expenditures



4. Operational and technical services

17. The mission of the Agency's Operational and Technical Services Department is to enhance and create synergy in the functions of the Agency's information systems and its procurement, logistical and construction and engineering services. The Department directs those services to achieve the best results in terms of efficiency, reliability and timeliness, thus contributing to the Agency's mandate to provide humanitarian assistance to Palestine refugees.

18. Expenditures during the biennium for operational and technical services amounted to $38.7 million against the General Assembly approved budget of $39.4 million. This expenditure represented 6.5 per cent of the Agency's regular budget expenditures.

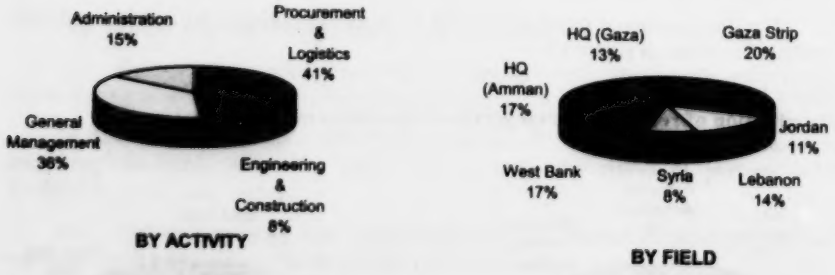
5. Common services

19. The mission of the Agency's common services, comprising general management and administration, is to secure the highest standards of efficiency, competence and integrity in carrying out the Agency's humanitarian mandate deriving from the relevant General Assembly resolutions, in providing leadership to the Agency's programmes and fields and in the management of the Agency's human and financial resources. As part of the management reform efforts aimed at improving the Agency's overall efficiency, new payroll and financial management systems became operational in October 2001 and March 2002 respectively.

20. Expenditures during the biennium for common services amounted to $40.4 million against the General Assembly approved budget of $87.9 million, representing 6.7 per cent of the Agency's regular budget expenditures.

21. The distribution of operational, technical and common services expenditures by activity and field is set out in Figure I.4.

Figure I.4
Distribution of operational, technical and common services expenditures



6. Special programmes

22. In addition to the ongoing services described above, during the biennium 2002-2003 UNRWA implemented the special programmes outlined below to improve the living conditions of Palestine refugees, with earmarked funding from donors.

Emergency appeals

23. In view of the continued deterioration of the economic situation as a consequence of the strife in the West Bank and Gaza Strip since September 2000, UNRWA launched three additional emergency appeals for $369.4 million during the biennium to assist the refugee community in the affected areas. The major thrust of the emergency operations was to provide essential food supplies, shelter, selective cash assistance, employment generation and medical assistance, including physical rehabilitation and counselling for thousands injured or disabled as a result of the conflict. Against a total for all six emergency appeals of $529.7 million since September 2000, the donor community had pledged $323.1 million in cash and in kind assistance. Of that total, $295.6 million had been received by the end of December 2003. The expenditure under the emergency appeals during 2002-2003 amounted to $185.0 million, with aggregate expenditure of $242.7 million to the end of December 2003.

Post-1999 projects

24. During the previous biennium (2000-2001), a new category of non-regular budget funds was established as a successor to the cluster of projects under the peace implementation programme, capital and special projects and expanded programme of assistance. The majority of projects undertaken under the post-1999 project category were in the areas of construction and equipping classrooms, schools, health centres, sewerage systems and water tanks with the objective of improving the infrastructure facilities of the Agency's regular programmes. The projects are distributed across the Agency's areas of operations. During the biennium 2002-2003, $12.4 million was received for projects under this category, and expenditure was $27.7 million.

Peace implementation programme, Lebanon appeal and capital and special projects

25. With the phasing-out of the peace implementation programme, the Lebanon appeal and capital and special projects during the biennium 2002-2003, activities were minimal. A total of $4.7 million was received during the biennium, and the expenditure was $5.5 million.

Income-generation programme

26. The Agency's income-generation programme, which operates under the supervision of the Department of Relief and Social Services, aims to support Palestine refugees who require financing in income-generating projects in Jordan, Lebanon and the Syrian Arab Republic. The programme administered a portfolio of $1.1 million and had accumulated reserves of $1.8 million as at 31 December 2003. Because of the social intermediation goals of the programme and the level of poverty of its clients, all loans under the programme were issued to eligible borrowers at a subsidized rate. During the biennium, a total of 1,916 jobs were

created through various credit schemes, which contributed to improving the living standards of the refugees and their families. Out of the total, 787 women benefited from the women's group guaranteed lending schemes. A total of $0.3 million was received during the biennium, while the expenditure was $0.2 million.

C. Financial results

27. The Agency's overall surplus for the biennium was $23.4 million with respect to operations, as shown in statement 1, which also shows the balances of the Agency's working capital and other funds. The balances of the other funds are earmarked for specific purposes. The working capital under the Agency's regular budget fund is not a statutory operating reserve, but rather is the difference between assets and liabilities of the fund. The working capital account is used for three specific purposes, namely: (a) to meet temporary shortfalls in cash flow; (b) to finance unforeseen needs; and (c) to meet any extraordinary liquidating liabilities in the event of a curtailment of the Agency's activities. As shown in statement 1, the working capital account of the regular budget had a positive balance of $46.8 million as at 31 December 2003. This is accounted for by the following elements:

(a) A fund balance of $4.5 million earmarked for in kind purchase of basic commodities;

(b) A working capital balance of $32.3 million on regular budget cash operations during the biennium, which includes $10.2 million in accrued contribution income;

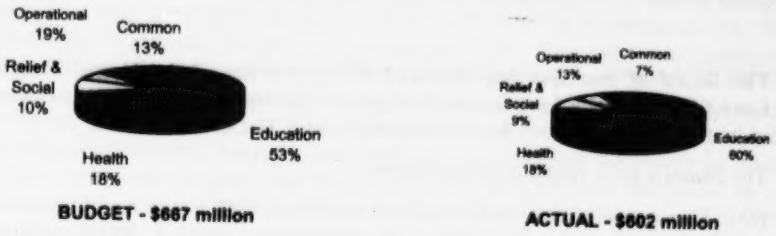
(c) A reserve of $10.0 million established to protect the Agency from future losses due to fluctuations in exchange rates.

28. For efficient cash flow management, UNRWA centrally manages all cash received by the Agency for both the regular and non-regular budget. The statement of cash flow for the period (statement 3) depicts the changes in the Agency's financial position and reflects the consolidated cash balance of $140.6 million at the end of the biennium.

29. Agency-wide budgeted and actual expenditures for the biennium are shown in statement 4. The Agency expended $824.6 million during the biennium on all its activities against a budget of $1,050.8 million. Under the regular budget alone, the expenditure was $601.7 million against a budget of $666.8 million. Under the non-regular budget, the expenditure was $218.9 million against a budget of $384.1 million.

30. A graphical comparison of the regular budget actual and budgeted expenditure is shown in figure I.5.

Figure I.5
Regular budget actual versus budgeted expenditure



D. Microfinance and microenterprise programme

31. Since June 1991, the microfinance and microenterprise programme in the West Bank and Gaza has helped to promote small business development, create employment, improve the income of microenterprises and reduce poverty through the establishment of a number of targeted credit programmes aimed at small businesses and women. The programme manages a capital fund in Gaza and in the West Bank. It supports businesses of varying size, from a micro-vending enterprise to small industries, and aims to satisfy a variety of capital funding needs, including working capital financing. During the period, the programme expanded its operations to Jordan and the Syrian Arab Republic. Since its establishment, the programme has disbursed $74.25 million through 67,127 loans (54,367 loans for a value of $59.5 million in Gaza, 11,370 loans in the West Bank valued at $14.0 million, 619 loans in Jordan for a value of $0.5 million and 771 loans in the Syrian Arab Republic amounting to $0.3 million).

32. The severe economic contraction in the West Bank and the Gaza Strip adversely affected the programme's lending activities and loan repayments during the biennium. As a result, it incurred a net loss of $2.0 million on its operations in 2002-2003, leading to the partial erosion of its capital base.

E. Area Staff Provident Fund

33. The financial statements of the Area Staff Provident Fund indicate that the investments of the Fund increased to $861.4 million from $764.3 million during 2003. The Fund's investment income for the year was $114.9 million compared to $42.7 million for the previous year. The income available to the credit of the Fund participants as at 31 December 2003 amounted to $109.7 million.

Chapter II
Report of the United Nations Board of Auditors

Summary

The Board of Auditors has reviewed the operations of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and has audited its financial statements for the biennium ended 31 December 2003.

The Board's main findings are as follows:

(a) Two tax authorities had continued to subject UNRWA to direct taxes and customs duties; amounts due from tax authorities totalled $13.9 million. Furthermore, UNRWA has not been able to recover any of the customs and port charges paid since June 1994, amounting to $9 million as at 31 December 2003;

(b) The Agency's reserves were inadequate to cover its liabilities for end-of-service and post-retirement benefits of $147.3 million. Furthermore, the actual expenditure of $23.6 million in that regard exceeded the approved budget of $19.5 million;

(c) Although the UNRWA Treasury function was generally effective, there were opportunities for improvement in the areas of governance and automation;

(d) The directives for the microfinance and microenterprise programme did not provide details regarding the term of membership, disclosure of conflict of interest and remuneration benefits of the members of the Advisory Board;

(e) While the Area Staff Provident Fund had separate directives governing its activities, it did not have an approved consolidated set of regulations and rules;

(f) The Audit and Inspection Committee did not include any external members to promote increased transparency of UNRWA;

(g) Although UNRWA is to be commended for its stance on resisting donor requests for audits, it did not have a formalized procedure for dealing with requests for third-party reviews;

(h) UNRWA did not have an information and communication technology security policy nor a comprehensive disaster recovery plan.

The Board made recommendations to recover outstanding amounts due; to review the funding mechanism for liabilities; to update and consolidate directives in line with best practices; to establish mechanisms to formally evaluate third-party requests for audits and reviews; and to develop information and communication technology security policies and disaster recovery plans. By July 2004, the Administration had planned to implement a number of appropriate remedies.

A list of the Board's main recommendations is provided in paragraph 11 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) for the biennium 2002-2003 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in accordance with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the biennium ended 31 December 2003 had been incurred for the purposes approved by the General Assembly, whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules and whether the financial statements of UNRWA presented fairly the financial position of the Agency as at 31 December 2003 and the results of the operations for the period then ended. The audit included a general review of the financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent that the Board considered necessary in order to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under financial regulation 7.5. The reviews concerned the efficiency of financial procedures, internal financial controls and, in general, the administration and management of UNRWA. UNRWA is also responsible for the administration of the Area Staff Provident Fund. Although the Board did not express an opinion on the Provident Fund statements, it has reviewed the operations of the Fund, the results of which are included in the present report. The audit was carried out at UNRWA headquarters in both Gaza and Amman and at the field offices in Gaza, Jordan, Lebanon and the West Bank. The final audit in April 2004 could be conducted only from the Amman headquarters because of the security situation in Gaza.

4. The General Assembly, in paragraph 6 of its resolution 57/278 A of 20 December 2002, requested the Secretary-General and the executive heads of the funds and programmes of the United Nations to examine governance structures, principles and accountability throughout the United Nations system and to make proposals on the future format and consideration of the reports of the Board of Auditors by the respective executive boards and the General Assembly. The Board noted that UNRWA had not taken any specific action in that regard.

5. During the period under review, the Board continued its practice of reporting the results of specific audits in management letters containing detailed observations and recommendations. This practice allowed for an ongoing dialogue with UNRWA.

6. The present report covers matters which, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and

conclusions were discussed with UNRWA, whose views have been appropriately reflected in the report.

7. A summary of the Board's main recommendations is contained in paragraph 11. The detailed findings are reported in paragraphs 13 to 242.

1. Previous recommendations not fully implemented

Biennium ended 31 December 1999[1]

8. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has reviewed the measures taken by UNRWA to implement the recommendations made in its report for the biennium ended 31 December 1999. There are no significant outstanding matters.

Biennium ended 31 December 2001[2]

9. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by UNRWA to implement the recommendations made in its report for the biennium ended 31 December 2001. Details of action taken and the comments of the Board are included in the report and have been summarized in the annex to the present chapter. Out of a total of 27 recommendations, 14 (52 per cent) were implemented, 8 (30 per cent) were under implementation and 5 (18 per cent) were not implemented.

10. The Board has reiterated, in paragraphs 32, 44, 51 and 225 of the present report, previous recommendations that had not yet been implemented. The Board invites UNRWA to assign specific responsibility and establish an achievable time frame for their implementation.

2. Main recommendations

11. **The Board recommends that UNRWA:**

(a) Continue its efforts to recover the outstanding tax reimbursements and make further appeals to the relevant authorities to fully accept the tax-exempt status of the Agency (para. 44);

(b) Review, in conjunction with United Nations Headquarters, the funding mechanism and targets for providing for end-of-service and post-retirement benefit liabilities (para. 51);

(c) Update its treasury instructions and expedite the complete implementation of the cash management module (para. 86);

(d) Expand the terms of reference of the Microfinance and Microenterprise Programme Advisory Board to include the term of membership, disclosure of conflicts of interest and remuneration benefits (para. 101);

---

[1] See *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5C* and corrigendum (A/55/5/Add.3 and Corr.1), chap. II.

[2] See ibid., *Fifty-seventh Session, Supplement No. 5C* and corrigendum (A/57/5/Add.3 and Corr.1), chap. II.

(e) Expedite the finalization of a consolidated set of regulations and rules governing the Provident Fund and benchmark the draft against best practices (para. 116);

(f) Consider including external members in its Audit and Inspection Committee (para. 150);

(g) Establish a mechanism to formally evaluate, on the basis of predetermined criteria, requests from third parties to conduct audits and reviews, in consultation with other United Nations organizations, with a view to applying consistent practices (para. 170);

(h) Develop an information and communication technology security policy and a disaster recovery plan (para. 220).

12. The Board's other recommendations are shown in paragraphs 29, 32, 34, 36, 41, 47, 58, 60, 68, 74, 77, 80, 86, 101, 103, 113, 116, 118, 122, 125, 128, 134, 141, 145, 150, 155, 158, 170, 181, 185, 189, 192, 200, 206, 210, 213, 216, 220, 222, 225, 228 and 231.

B. Financial issues

1. Financial overview of the United Nations Relief and Works Agency for Palestine Refugees in the Near East[3]

13. Contributions to regular budget funds, which continued to be the main source of UNRWA income, amounted to $613.7 million for the biennium 2002-2003 compared with $575.1 million for the previous biennium. Contributions to non-regular budget funds also increased, from $196.6 million in the biennium 2000-2001 to $209.6 million in the biennium 2002-2003. In addition, other income increased from $2.8 million to $24.7 million. The total combined income for all funds amounted to $848.0 million compared with $774.5 million for the previous biennium.

14. The Administration attributed the increase in income under the regular budget to its intensified efforts to generate revenue. The increase in non-regular budget funds for the biennium 2002-2003 was due to funds received for emergency appeals amounting to $192.4 million. The increase in other income is attributable mainly to the $17 million gained in foreign exchange transactions, covering all funding sources, in the biennium 2002-2003 as opposed to a loss of $4.5 million in the previous biennium.

15. Expenditures from regular budget funds amounted to $601.7 million, while expenditures from non-regular budget funds amounted to $218.9 million. Combined actual expenditures amounted to $824.6 million, compared with $703.3 million for the previous biennium, including $4.0 million in respect of the microfinance and microenterprise programme. In terms of UNRWA programmes, education accounts for $360.1 million, with health and relief and social services accounting for an additional $105.3 million and $57.0 million respectively (adjusted for the microfinance and microenterprise programme and prior-year adjustments).

[3] UNRWA changed its accounting policy during the biennium under review. The main impact was the recognition of outstanding income and liabilities for non-regular budget funds. This change in accounting policy resulted in the restatement of comparative figures.

16. The Agency's total staff costs accounted for $517.4 million (international staff $35.2 million and area staff $482.2 million), some 63 per cent of total actual expenditure.

17. The total combined income of $848.0 million exceeded combined expenditures of $824.6 million, resulting in a surplus of $18.6 million (2000-2001: $73.8 million) after prior-year adjustments of $4.8 million. The surplus of $18.6 million will be carried forward in accordance with UNRWA practice. The Agency's closing working capital and fund balances as at 31 December 2003 amounted to $32.6 million and $77.3 million respectively.

2. United Nations system accounting standards

18. The Board assessed the extent to which the financial statements of UNRWA for the biennium ended 31 December 2003 conformed to the United Nations system accounting standards. The review indicated that the financial statements were consistent with the standards.

3. Presentation and disclosure of the financial statements

19. The UNRWA financial statements are presented in four parts. Part A consists of UNRWA consolidated statements 1 to 7 and supporting notes. The Board expresses an opinion on this part only as stated in chapter III. Part B contains appendices and annexes. Part C covers the UNRWA microfinance and microenterprise programme, which is included in the UNRWA consolidated financial statements. Part D covers the Area Staff Provident Fund administered by UNRWA. Although the Board expresses an opinion only on the UNRWA consolidated financial statements, it did review the operations of the Provident Fund, and its observations are included in the present report.

20. The General Assembly, in paragraph 12 of its resolution 55/220 A of 23 December 2000, requested the Secretary-General and the executive heads of the funds and programmes of the United Nations, in conjunction with the Board of Auditors, to continue to evaluate what financial information should be presented in the financial statements and schedules and what should be presented in the annexes.

Financial reporting

21. In terms of governance principles and best practices, the following governance issues are normally reported on in a medium such as the financial report (chap. I):

(a) Governance and regulatory bodies;

(b) Performance reporting and non-financial information;

(c) Social accounting issues;

(d) Risk management, continuity and internal control.

Governance and regulatory bodies

22. UNRWA disclosed in its financial report that a 10-member Advisory Committee performed an annual review of the Agency's activities and programmes. However, the report did not contain information about the Agency's Management Committee, its internal code of ethics and conduct and its enforcement among employees or its communication policy.

Performance reporting and non-financial information

23. UNRWA disclosed an overview of its financial performance for the biennium 2002-2003 in a Summary preceding the financial report. However, the Board noted that the financial report did not contain data pertaining to the previous biennium. As such, an evaluation of the performance of UNRWA against the prior biennium could not be easily made. UNRWA also did not incorporate in its financial report non-financial information pertaining to the achievements of targets set by UNRWA in its 2002-2003 budget.

Social accounting issues

24. Social accounting issues could be useful, and consideration should be given to the desirability of incorporating such information into the UNRWA financial reports. Matters that could be addressed include:

(a) Environmental reporting;

(b) Employee and/or human resources reporting, such as an analysis of the composition of staff, an analysis of the skills of current staff compared with the skills needed and details on the future staff requirements (including a continuity plan);

(c) Health and safety issues;

(d) Social reporting.

Risk management, continuity and internal control

25. The constant identification of risks and the continuous development of systems and controls to address those risks is critical to most organizations. As such, risk information disclosures are relevant to the needs of financial statement users. Disclosures could deal with the measures that are in place to address financial risks, to safeguard assets and financial records and to ensure continuity in the event of a disaster. No such disclosures were included in the UNRWA current and prior-period financial report.

26. The UNRWA financial report provides a summary of the financial statements. However, no key indicators or ratios were included, such as the current ratio (current assets to current liabilities) and current liabilities as a percentage of total liabilities.

27. In addition, the financial report did not contain information about:

(a) The existence of a disaster management and recovery plan;

(b) Internal measures to manage risks or an internal code of ethics and conduct and its enforcement among employees;

(c) The internal audit function;

(d) Any oversight committee reviewing the work of internal auditors;

(e) Any measures put in place to safeguard the integrity of management and financial information.

28. The provision and disclosure of any information would be subject to a determination of the benefit of providing that information against the cost of providing it and a determination of whether it meets the general qualitative characteristics of relevance, reliability, comparability and understandability, as stated in the United Nations system accounting standards.

29. **The Board recommends that UNRWA consider the disclosure of items in the financial report in terms of best governance principles relating to oversight, performance reporting, social accounting issues, risk management, continuity and internal control issues. In this regard, UNRWA should revert to paragraph 6 of General Assembly resolution 57/278 A, since better disclosure would be a step towards taking a proactive approach to the review requested by the Assembly.**

Financial statements

30. The Board, in paragraphs 20 and 24 of its previous report,[2] made recommendations concerning presentation and disclosure in respect of the UNRWA financial statements. UNRWA did not provide additional details pertaining to capital acquisitions, disposals and write-offs made during the biennium to reflect movements from the opening to the closing balance of capital acquisitions. Furthermore, the disclosure in note 17 regarding prior-year adjustments was inadequate. UNRWA did not disclose the nature, reasons and financial effects of the prior-year adjustments.

31. Previously, UNRWA did not recognize outstanding income and unliquidated obligations pertaining to non-regular budget funds in its financial statements. Following the Board's audit, UNRWA changed its accounting policy in this regard to recognize such outstanding amounts. This resulted in a change in the presentation of the financial statements and the restatement of comparative figures. The Board is pleased to note that those changes have improved the presentation of the Agency's position as at 31 December 2003.

32. **The Board reiterates its previous recommendations and UNRWA agreed: (a) to provide more details on capital acquisitions, disposals and write-offs made during the biennium to reflect movements from the opening to the closing balance; and (b) to improve its disclosure concerning the note for prior-year adjustments in the financial statements for the next biennium.**

33. The Board noted further areas for improvement in the presentation and disclosure of the financial statements. Those areas covered prior-year adjustments, accounting policy notes, provision for uncollectable amounts, change in the accounting policy note and note disclosures in general. UNRWA agreed to consider those suggestions for improvement in the preparation of the financial statements for the next biennium.

34. **UNRWA agreed with the Board's recommendation that it: (a) continue to review the potential improvements in the financial statements with a view to better disclosing and presenting information; and (b) disseminate improvements made in the financial statements to other United Nations organizations through inter-agency mechanisms such as the High Level Committee on Management.**

4. Cash management

35. The Board, in paragraph 53 of its previous report,[2] recommended that UNRWA review its policy on the pre-financing of donor-specified projects. UNRWA informed the Board that in pre-financing projects, only regular budget funds were used. As at 31 December 2003, UNRWA had recovered all funds advanced during the biennium for the pre-financing of projects. Projects were pre-financed when:

(a) Donors agreed to make contributions on a reimbursement basis;

(b) Confirmed pledges were received against which UNRWA could reliably expect that funds would follow;

(c) Certain projects required initial preparation to enable them to succeed but the funding for those projects was due only a few months later.

36. **The Board recommends that UNRWA consider: (a) revising its financial regulations and rules to regularize the pre-financing of projects under specified conditions; (b) maintain adequate audit trails if rules allow for the pre-financing of funds; and (c) continuously monitor the impact of pre-financing of projects on working capital and cash flow requirements.**

37. UNRWA informed the Board that the pre-financing of projects was rare and was undertaken exclusively to expedite project implementation and to adhere to agreements of certain donors. The pre-financing of projects had not affected the General Fund resources, as it has always been done within the project fund pool. However, under the revised arrangements with a major donor, no more pre-financing of projects would be necessary for that donor.

38. As at 31 December 2003, UNRWA had total cash holdings of $140.6 million (31 December 2001: $56.5 million), which represents an increase of $84.1 million (149 per cent) from the previous biennium. The increase in cash holdings could be attributed mainly to the following factors:

(a) An increase in pledges received of $51.6 million and a decrease in accounts receivable as at 31 December 2003 of $55.5 million;

(b) Reimbursement of old value-added tax of $12 million;

(c) Net realized foreign exchange gains amounting to $10.9 million;

(d) A 14 per cent increase in bank interest earned for the biennium to $3.3 million from $2.9 million in the previous biennium.

39. The Board noted a large number of reconciling items on the bank reconciliation statements ended 31 December 2003, consisting mainly of cheques not presented for payment, outstanding transfers and deposits. UNRWA kept the cashbook open for the processing of transactions until 12 February 2004 to ensure that all transactions pertaining to the biennium were recorded.

40. However, UNRWA processed transactions in the cashbook that should have been accrued, thus misrepresenting the Agency's true financial position at the end of the biennium. UNRWA had effectively understated cash on hand and in banks as well as liabilities by $871,179 as at 31 December 2003.

41. **The Board recommends that UNRWA: (a) not process transactions occurring after the end of the biennium through the cashbook; (b) apply**

accrual accounting to transactions that relate to the current biennium but that came to management's attention only after the end of the biennium; and (c) record adjusting journal entries for the purposes of accurately preparing the financial statements.

42. UNRWA informed the Board that it would amend future biennium closure instructions to prevent a recurrence of the error.

5. Accounts receivable

43. In paragraph 39 of its previous report,[2] the Board reported that two tax authorities had subjected UNRWA to direct taxes and customs duties. This practice continued during the biennium 2002-2003 with amounts due from tax authorities totalling $13.9 million (2000-2001: $21 million), as disclosed in note 10 to the financial statements. Furthermore, UNRWA has not been able to recover any of the customs and port charges paid since June 1994. In the biennium under review, this balance of $9 million increased by $1.8 million from the prior biennium. The non-recovery of those balances resulted in the Agency's working capital being tied up in customs duties and value-added taxes as well in the potential loss of interest income that could have been earned had the funds been available.

44. **The Board reiterates its recommendations that UNRWA continue its efforts to recover the outstanding tax reimbursements and that it make further appeals to the relevant authorities to fully accept the tax-exempt status of the Agency.**

6. Fixed assets

45. Other fixed assets amounted to $75.2 million as at 31 December 2003 ($65.8 million as at 31 December 2001). The UNRWA Manual of Supply Procedures requires that locator cards be reconciled to asset-value cards on an annual basis. Materials inspection officers updated locator cards once they had performed asset verifications. The Board reviewed the reconciliation between the value cards and the general ledger for the headquarters and field offices respectively and noted an overall discrepancy of $4.7 million. UNRWA confirmed that those discrepancies had accumulated over a period of 50 years. Table II.1 provides an analysis of those discrepancies by field office. The value of fixed assets, as disclosed in note 14 to the financial statements, was therefore misstated by $4.7 million.

Table II.1
Discrepancies between the general ledger and value cards
(Thousands of United States dollars)

Field office	*Value cards*	*General ledger*	*Difference*
Amman	7 809	10 725	2 916
Gaza	10 837	12 567	1 730
Lebanon	6 222	6 222	—
Total	**24 868**	**29 514**	**4 646**

46. UNRWA indicated that the write-off process had not commenced for those discrepancies, as it had expected that the implementation of the field asset module, which was in progress, would resolve the differences.

47. **The Board recommends that UNRWA examine the discrepancies between the value cards and general ledger and take the steps necessary to reflect asset balances accurately in the notes to the financial statements. The Board further recommends that UNRWA adjust note 14, Other fixed assets, by $4.7 million to reflect the differences in asset values.**

7. Liabilities

48. In paragraph 35 of its previous report,[2] the Board reported on an increasing trend in unliquidated obligations. UNRWA reviewed all unliquidated obligations as at 31 December 2003. No such obligations had been outstanding for longer than 24 months. The Board noted that in the biennium under review UNRWA wrote back $0.8 million of funds obligated in the biennium 2000-2001 compared with $0.9 million obligated in the biennium 1998-1999.

8. End-of-service benefits

49. In paragraph 30 of its previous report,[2] the Board recommended that UNRWA, in conjunction with United Nations Headquarters, review the funding mechanism and targets for end-of-service liabilities in line with policies adopted by other United Nations organizations.

50. Actual expenditure of $23.6 million in 2002-2003 ($27.1 million in the prior biennium) exceeded the budgeted amount of $19.5 million (2000-2001: $18.4 million) by $4.1 million ($8.7 million in the prior period) (see table II.2). UNRWA continued to fund the under-provision for end-of-service benefits from the savings made within the staff costs budget. UNRWA had not implemented a mechanism to address its funding requirement pertaining to end-of-service benefits. The total estimated liability of $147.3 million exceeded the available reserve of $140 million by $7.3 million.

Table II.2
End-of-service benefits
(Millions of United States dollars)

Description	*As at 31 December*		*Change*
	2003	*2001*	
Estimated liability	147.3	143.6	3.7
Provision per budget	19.5	18.4	1.1
Actual expenditure	23.6	27.1	(8.6)
Total reserves	**140.0**	**119.7**	**20.3**

51. **The Board reiterates its recommendation that UNRWA, in conjunction with United Nations Headquarters, review the funding mechanism and targets for providing for end-of-service and post-retirement benefit liabilities.**

9. Write-offs of losses of cash, receivables and property

52. The Administration provided the Board with details of losses of cash and other non-expendable property written off during the biennium 2002-2003. This included the loss of cash amounting to $1,181 (2000-2001: $447) written off under the terms of financial rule 106.8. Non-expendable equipment of $1.7 million was written off based on original cost under the terms of financial rule 106.9 ($1.4 million in 2000-2001). There were no write-offs related to property.

10. Ex gratia payments

53. In line with financial regulation 5.11, UNRWA provided the Board with information on the only ex gratia payment made. UNRWA made one ex gratia payment of $6,500 to the parents of an UNRWA student because of a fatal accident that occurred during school hours.

C. Management issues

1. Treasury review

Background

54. The Board performed a limited review of the UNRWA treasury function. The objective of the Treasury Department at UNRWA is to support the Agency's operations by maintaining its accounts, settling liabilities in a timely manner and protecting its finances and value. In line with this objective, the Treasury Department did not speculate with the Agency's cash holdings, which totalled $140.6 million as at 31 December 2003. The Treasury Department reported to the Comptroller.

Types of investments

55. UNRWA treasury technical instruction 3 governs the types of investments that UNRWA can hold. The instruction limits the duration of investments to a period ranging from one day to six months, mainly in:

(a) Bank call accounts;

(b) Fixed deposits;

(c) Certificates of deposit;

(d) Bankers' acceptances;

(e) Notes and bonds, including floating-rate notes;

(f) Commercial paper issued by banks;

(g) Treasury bills.

56. UNRWA investments were held only in:

(a) Cash ($0.4 million);

(b) Current accounts ($28.9 million);

(c) Bank call accounts ($111.3 million).

57. The Board noted that the instructions did not provide guidance on procedures that should be followed should the Agency wish to invest in new instruments, for example, corporate bonds, which would still fall within the conservative risk profile of UNRWA.

58. **UNRWA agreed with the Board's recommendation that it update the treasury technical instructions to provide for procedures for the evaluation and addition of new classes of financial instruments to the specified investment categories and to align those procedures to the risk profile of the Agency.**

Investment Review Committee

59. The objective of the Investment Review Committee is to review investment policy, asset allocation, strategy, currency and interest rate risk management and other investment matters. In addition, the Committee reviewed cash-flow projections and provided guidance on how UNRWA should operate in case of a liquidity crisis. However, the Committee lacked terms of reference governing its functions.

60. **UNRWA agreed with the Board's recommendation that it develop terms of reference for the Investment Review Committee.**

Risk management

61. The Board performed a review of the various risks that UNRWA faced in the treasury environment. Table II.3 summarizes the various types of risks together with the assessed level of risk exposure.

Table II.3
Summary of risk analysis

Type of risk	*Risk exposure*	*Reasons*
Interest rate risk[a]	Low	Main bank accounts are located in regions with stable economies
Settlement risk[b]	Low	Cash position is managed on a daily basis; no speculation in foreign exchange transactions; main trading partners have good ratings
Market risk[c]	Low	Use of conservative financial instruments, short-term investments
Currency risk[d]	Medium	See details below (paras. 62 and 63)
Liquidity risk[e]	High	See details below (paras. 64-74)

[a] Risk that value of cash holdings will fluctuate because of changes in market interest rate.
[b] Risk that UNRWA or its trading partner will default on the settlement of a foreign exchange transaction.
[c] Risk that the value of cash holdings will fluctuate as a result of changes in market prices.
[d] Risk that the value of unpaid non-United States dollar contributions and cash assets will fluctuate due to changes in foreign exchange rates.
[e] Risk that UNRWA will encounter difficulty in raising funds to meet commitments.

Currency risk

62. The Agency's exposure to the declining United States dollar was minimized since UNRWA largely disbursed funds denominated in historically weaker currencies. Furthermore, UNRWA made payments in European currencies from bank accounts held in those currencies. In terms of the unpaid regular budget contributions, UNRWA had a total of $10.2 million outstanding at the end of the biennium, out of which 62 per cent consisted of euros and the balance in United States dollars.

63. Cash holdings of $140.6 million at the end of the biennium consisted mainly of United States dollar balances of $127.3 million (91 per cent), with the remainder of $13.3 million (9 per cent) representing non-United States dollar balances. The reasons for keeping non-United States dollar currencies include the following: (a) donors pay in their local currency; (b) certain UNRWA expenditures are in non-United States dollar currencies; and (c) the local currency of the host country is often required to obtain goods and services.

Liquidity risk

64. The Agency's liquidity risk can be grouped into the following categories: nature of funding; major contributors; receipt of funding; and management of funds.

65. UNRWA funding is based on voluntary donor contributions and not on assessed contributions. This creates a much higher risk, as UNRWA has to ensure that it has received sufficient donor pledges to meet its operational requirements. Two donors contributed more than half of the voluntary contributions of the Agency.

66. UNRWA could experience a liquidity crisis as a result of donors not fulfilling their commitments to UNRWA on a timely basis and UNRWA not managing its cash holdings efficiently and effectively.

67. In order to manage this risk, UNRWA has to ensure that: (a) sufficient pledges from donors are secured; (b) the donor base is expanded or contributions by existing donors are increased; (c) outstanding pledges are followed up on a regular basis to ensure that donors make good on their commitments on a timely basis; (d) an effective working capital base commensurate with UNRWA operations is maintained; and (e) the Treasury manages and monitors cash holdings on a regular basis.

68. **The Board recommends that UNRWA develop further its donor base.**

69. UNRWA informed the Board that it had been making efforts to broaden the donor base and had placed sufficient resources to achieve that objective while recognizing the budgetary constraints of donor countries and other competing demands from elsewhere.

70. The Treasury Department produced a daily cash flow report containing information on the balances per bank, projected cash flows for the month (in and out) and possible foreign gains and losses. In addition, UNRWA prepared monthly and quarterly cash flow reports to manage its cash reserves and to estimate its future funding requirements.

71. In managing its cash reserves, UNRWA distinguished between groups of funds, for example, regular budget funds and emergency appeal funds, although separate bank accounts were not kept for the different groups of funds. Donor agreements were very specific as to the use of funds; for example, emergency appeal funds could not be used to finance projects or regular budget expenditures. UNRWA informed the Board that in the event of a liquidity crisis, the following actions could be taken: the payment of salaries and wages could be postponed until such time as adequate funding had been received and the Commissioner-General could authorize the financing of regular budget expenditure from project funds.

72. UNRWA delayed the payment of salaries and wages for a few days in early 2002 when it experienced a liquidity crisis. The Commissioner-General authorized the use of project funds for the payment of salaries and wages only after he had received confirmation of the imminent payment of pledges by donors.

73. The Board acknowledges that this was an interim cash flow arrangement that did not subsequently result in the inappropriate use of funds. However, the treasury technical instructions did not provide guidance on or regularize the steps that UNRWA should take when cross-financing is required between fund groups.

74. **UNRWA agreed with the Board's recommendation that it update the treasury technical instructions to specify that cash from each fund group cannot be used interchangeably to meet cash flow requirements without prior approval from the Commissioner-General.**

Trading

75. Treasury technical instruction 3 gives effect to the maximum return-on-investment principle by providing guidance on the placement of investments. The Treasury Department is to use a bidding process for obtaining competitive bids from three different sources for investment placements of more than the equivalent of $1 million.

76. The Treasurer informed the Board that the reason for not following treasury technical instruction 3 was that it did not cater to the existing requirements of the UNRWA treasury function and the Agency's funding requirements. In addition, UNRWA invested its surplus cash in call accounts and overnight accounts only and not in long-term investments, such as bonds, which were excluded from the bidding process.

77. **UNRWA agreed with the Board's recommendation to update the treasury technical instructions to provide for the practice followed by the Treasury Department in the placement of investments.**

Bank accounts

78. The Agency's bank accounts could be categorized into trading bank accounts and imprest bank accounts. The bulk of UNRWA cash holdings is vested in the trading bank accounts managed by the Gaza headquarters. UNRWA received contributions from donors in those accounts and also used them to replenish the imprest bank accounts. Whenever possible, UNRWA sold non-United States dollar currencies from the accounts to make foreign exchange gains.

79. Treasury technical instruction 4 governs the management of bank accounts, including their opening and closing. The Treasury technical instructions provide for a process of reviewing banking arrangements and agreements with the various financial institutions. UNRWA had completed the review of bank accounts for the field offices in Gaza, the West Bank and Jordan and at the Gaza headquarters. As at April 2004, the banking arrangements for the field office in the Syrian Arab Republic was under review. Although the treasury technical instructions provide for the review of bank accounts, the Board noted that how often this should be done was not stipulated.

80. **UNRWA agreed with the Board's recommendation to update the treasury technical instructions to indicate how often banking agreements should be reviewed.**

Investment banks

81. Treasury technical instruction 3 governs the selection of bank accounts, with specific reference to the "trading bank accounts". Under the terms of this technical instruction, UNRWA may place investments only with banks or financial institutions that are rated in the top category, P1, for short-term placements by the international rating service Moody's. Moody's P1 rating is defined as superior ability for repayment of short-term debt obligations. The Treasurer is responsible for maintaining an up-to-date list of reputable and P1-rated banks and financial institutions that are domiciled in the major money market centres throughout the world. The placement of funds is restricted to those banks that are included in the bank list.

82. All but one of the Agency's major bank accounts were rated P1. The rating of one bank was lowered from P1 to P3 during the biennium, but UNRWA continued to use the bank at the request of the donor until the Treasury Department decided on the transfer of all remaining funds deposited in the account.

83. UNRWA was in the process of opening new P1-rated bank accounts to ensure that all accounts met the Moody's rating required by treasury technical instruction 3. UNRWA kept its imprest bank accounts with local banks in the UNRWA areas of operation. The Moody's rating system did not include those banks.

84. As illustrated in table II.4, UNRWA kept 89 per cent (2000-2001: 80 per cent) of its cash with two banking groups.

Table II.4
Analysis of cash holdings by bank
(Millions of United States dollars)

	As at 31 December			
	2003		*2001*	
Bank	*Amount*	*Percentage*	*Amount*	*Percentage*
A	19.4	14	38.9	69
B	105.5	75	6.4	11
Subtotal	**124.9**	**89**	**45.3**	**80**
Other banks	9.1	6	7.8	14
Microfinance and microenterprise programme	6.2	4	3	5
Cash	0.4	1	0.4	1
Total	**140.6**	**100**	**56.5**	**100**

Cash management module

85. UNRWA had purchased a cash management module as part of its new Financial Management System in May 2000. As at April 2004, UNRWA had not fully implemented the module. UNRWA informed the Board that delays pertaining to the full implementation of the cash management module could be attributed to two factors: first, implementation of other modules took longer than initially anticipated, and second, programmers had to customize the module to provide management with the required reporting formats.

86. **The Board recommends that UNRWA update its treasury instructions and expedite the complete implementation of the cash management module. UNRWA agreed with the Board's recommendation.**

2. Microfinance and microenterprise programme

Background

87. Since June 1991, the UNRWA microfinance and microenterprise programme in the West Bank and Gaza aimed to help promote small business development, create employment, improve the income of microenterprises and reduce poverty. The programme did this by establishing a number of credit products targeting small businesses, microenterprises and women. The programme was organized around four revolving loan funds in Gaza and two in the West Bank that supported businesses varying in size from a micro-vending enterprise, for example, employing just one or two individuals, to small industries and aimed to satisfy a variety of needs such as capital funding and working capital financing.

88. The microfinance and microenterprise programme has moved from a model of programme management to product management, where it no longer refers to the funds for each programme as separate revolving loan funds. All revolving loans now enter one capital fund in each field, which is used according to the outreach

requirements for each product. However, donors may still allocate funds for a specific product.

Funding

89. The microfinance and microenterprise programme was initially funded via voluntary donor contributions amounting to $13.1 million. In addition to the funding received from external donors, UNRWA contributed $500,000 towards the microfinance and microenterprise programme in the form of a loan to make up the shortfall of the original budgeted amount of funds that were required by the fund. The $500,000 was repaid to UNRWA in 2003.

90. Operational costs were covered by interest on loans, recoveries and other investments. Other than a contribution by one donor of $83,400, there were no other contributions to the microfinance and microenterprise programme for the biennium 2002-2003. UNRWA informed the Board that the programme was continuing to approach donors for funding but that during the first few years of the intifada neither UNRWA nor programme management considered donor funding a priority, as it had sufficient funds in the West Bank and Gaza to cover the reduced portfolio requirement that resulted from the downturn in the economy. UNRWA considered that funding for other emergency aid activities was more important than additional funding for its activities at that time. With the expansion of the programme into Jordan and the Syrian Arab Republic, UNRWA has been looking for additional funds since 2002.

Products offered

91. The microfinance and microenterprise programme disbursed funds to borrowers under four credit programme categories. These are the small-scale enterprise credit, solidarity-group lending, the microenterprise credit and the consumer-lending product. Table II.5 provides a brief summary of the loans issued in each category.

Table II.5
Summary of loans by product
(Thousands of United States dollars)

Net loans receivable	*2003*	*2002*	*2001*
Microenterprise credit	2 453.5	983.4	1 870.4
Small-scale enterprise credit	521.1	480.8	1 131.2
Solidarity-group lending	809.1	586.0	601.5
Consumer-lending product	117.8	35.5	-
Total	**3 901.5**	**2 085.7**	**3 603.1**

92. The microenterprise credit was introduced in Gaza in February 1996 and in the West Bank in March 1998. The purpose was to meet the demand for working capital needs with existing micro and small-scale enterprises that were unable to secure credit from commercial institutions primarily because of a lack of required collateral. The maximum size of the microenterprise credit in the first cycle was

approximately $1,000 (it varied according to currency, that is, United States dollars, Jordanian dinars and Syrian pounds).

93. The small-scale enterprise credit was the original credit instrument with which the microfinance and microenterprise programme began, its objective being to provide new and existing small-scale enterprises with loans. The loan range under the small-scale enterprise credit product was from $3,000 to $70,000.

94. The microfinance and microenterprise programme introduced solidarity-group lending in Gaza in May 1994 to enable Palestinian women to participate in the local community. The maximum size of loans in the first cycle of the product was $600.

95. In 2002 the microfinance and microenterprise programme established the consumer-lending product in Gaza. This product aimed to help workers and employees to purchase household requirements through loans. The maximum loan under the product was $900.

96. Microfinance and microenterprise programme management earned revenues from interest on loans issued, debts recovered and bank interest totalling $2 million. However, the microfinance and microenterprise programme also incurred expenditure for the biennium totalling $4 million. This resulted in a shortfall for the biennium 2002-2003 of $2 million after prior-year adjustments of $17,362. The cumulative retained deficit for the microfinance and microenterprise programme amounted to $2.8 million as at 31 December 2003.

Risk assessment

97. The Board reviewed the various risks that faced the microfinance and microenterprise programme. Those risks can be categorized as country location risk (political, social and economical stability of the country), credit risk (loans not being repaid), liquidity risk (not being able to meet commitments), currency risk (changes in value due to currency fluctuations) and operational risk (internal factors). The Board assessed these risks as follows: country location, high; credit, high; liquidity, low; currency, low; and operational, low.

Significant developments

98. During the biennium 2002-2003, the microfinance and microenterprise programme underwent significant changes. These include the expansion of its activities into Jordan and the Syrian Arab Republic, increasing the size of the Advisory Board and beginning a process of restructuring within UNRWA.

Microfinance and Microenterprise Programme Advisory Board

99. Organizational directive 25 provided for the establishment of the Microfinance and Microenterprise Programme Advisory Board, detailing its terms of reference. Under the terms of the above directive, the Advisory Board is to provide both the Commissioner-General and the programme management staff with technical and policy counsel as well as oversight of the status of the programme's financial and operational management. Its role was strictly advisory; technical and administrative management and supervision was the responsibility of the concerned programme chief and field directors.

100. The microfinance and microenterprise programme had both local and international experts who were full members of the Advisory Board, as appointed by

the Commissioner-General. While the directive provided for the appointment of external members to the Board, it did not provide details on their term of membership, disclosure of conflicts of interest and remuneration benefits. The Board considers this necessary to ensure that the Advisory Board maintains increased levels of transparency, independence and objectivity at all times.

101. **UNRWA agreed with the Board's recommendation: (a) to reassess the representation and size of the Microfinance and Microenterprise Programme Advisory Board with the overall objective of improving effectiveness and transparency; and (b) to expand the terms of reference of the Advisory Board to include the term of membership, disclosure of conflicts of interest and remuneration benefits.**

Access to financial information

102. The microfinance and microenterprise programme management informed the Board that it did not have direct access to all the financial information that UNRWA maintained in its new Financial Management System. It also seems that microfinance and microenterprise programme staff lacked a good understanding of the capabilities of the new Financial Management System and that they required additional training.

103. **UNRWA agreed with the Board's recommendation: (a) to provide staff with direct access to financial information on the new Financial Management System; (b) to determine an appropriate level of access to be granted to the staff as well as the relevant functionalities; and (c) to provide staff with adequate training on the new Financial Management System.**

104. UNRWA informed the Board that the issue of access to the financial modules had subsequently been resolved.

3. Area Staff Provident Fund

Background

105. The Area Staff Provident Fund is a scheme established in 1955 by the Commissioner-General for the purpose of providing benefits to eligible local staff members upon their separation from service and placed under the administration of the UNRWA Treasurer. Its secretariat was established on 1 January 1990.

106. Eligible staff members make a monthly contribution to the Provident Fund of 7.5 per cent of salary, with UNRWA contributing an additional 15 per cent thereto. Membership in the Provident Fund is available to area staff only, since international staff pension benefits are provided for by the United Nations Joint Staff Pension Fund.

107. The Provident Fund had 24,660 members as at 31 December 2003 (23,663 as at 31 December 2001). It comprises three functional groups namely, the Provident Fund Secretariat, the Provident Fund Committee and the Investment Advisory Committee.

Financial overview

108. As mentioned previously, the Provident Fund statements are included in part D of the UNRWA financial statements (chap. V). Gross investment income was the main source of Provident Fund income, amounting to $114.8 million for the biennium 2002-2003, compared with $42.6 million for the previous biennium.

Note 4, Investment income, to the Provident Fund financial statements indicates that the increase in investment income can be attributed to both realized and unrealized capital gains.

109. A review of the Provident Fund statement of changes in members' credits and income for 2003 indicates that members' contributions to the Provident Fund decreased to $39.0 million for the financial year 2003 (2002: $40.6 million). Withdrawals from the Fund amounted to $53.7 million (2002: $87.5 million).

110. The Provident Fund's assets consisted mainly of investments and loans made to members. Investment in market securities increased by $97.0 million (13 per cent), from $764.3 million in 2002 to $861.4 million in 2003. Loans to members decreased by $5.3 million, from $59.3 million in 2002 to $54.0 million in 2003. The net decrease in loans to members could be attributed to the decrease in new loans awarded in 2003 of $5.4 million (2002: $16.9 million).

Presentation of financial statements

111. The Board reviewed the presentation of the financial statements of the Provident Fund. The Provident Fund had implemented changes, following the Board's review, to improve presentation and disclosure.

112. The Provident Fund's financial statements were prepared in accordance with international financial reporting standards. Under the terms of those standards, the income statement follows the balance sheet. The Board noted that UNRWA had presented the statement of net assets (balance sheet) after the statement of financial performance (income statement). Furthermore, UNRWA did provide some disclosure in the statement of changes in members' credits and income, but this did not meet all the requirements of the standards on accounting and reporting by retirement benefit plans.

113. **UNRWA agreed with the Board's recommendation: (a) to change the order of the financial statements to present the statement of net assets first followed by the statement of financial performance; and (b) to disclose additional information such as the benefits paid to members upon their withdrawal from the Fund.**

Rules of the Provident Fund

114. The Provident Fund did not have an approved manual of combined regulations and rules. The rules governing the Fund have been set out in various organizational department directives. There were no directives that addressed the eventual dissolution of the Fund. This is a cause of concern, as UNRWA has a limited mandate that was extended until June 2005 by the General Assembly (resolution 56/62 of 10 December 2001).

115. The Provident Fund informed the Board that it was awaiting approval from the Commissioner-General of its combined regulations and rules. The delay in finalizing the Provident Fund directives resulted from UNRWA considering the restructuring of investments. The final decision was expected to be taken at the next Provident Fund Committee meeting. The Fund further indicated that it had issued directives and technical instructions as the need arose.

116. **The Board recommends that the Provident Fund: (a) expedite the finalization of a consolidated set of regulations and rules governing the Fund to enable members to have a single point of reference when dealing with Provident Fund matters; (b) address the dissolution of the Provident Fund, although the financial statements of the Fund are prepared on a going concern basis; and (c) undertake an evaluation to benchmark its draft regulations and rules against the Financial Regulations and Rules of the United Nations and international best practices.**

Provident Fund secretariat

117. An UNRWA section served as the Provident Fund secretariat and administered investments made on behalf of members. In addition, it acted as Secretary to both the Investment Advisory Committee and the Provident Fund Committee. Although the terms of reference for other committees of the Provident Fund made reference to the duties of the Provident Fund secretariat, the Board noted that no terms of reference regulating the activities of the Provident Fund secretariat were in place.

118. **UNRWA agreed with the Board's recommendation to develop terms of reference for the Provident Fund secretariat.**

Investment Advisory Committee

119. The Commissioner-General established the Investment Advisory Committee in March 1991. Its functions are to advise the Commissioner-General on long-term investments and overall investment guidelines and strategy in respect of Provident Fund assets.

120. The Commissioner-General appoints members of the Committee, and they are required to serve for a period of two years. The Commissioner-General, on a biennial basis, may extend the term for an additional two years. Members may resign at any time or may be requested to resign by the Commissioner-General before the completion of their term. The Investment Advisory Committee has a membership of eight, with six external members, the Commissioner-General and the chief of the Provident Fund secretariat. Given the fiduciary capacity in which the members of the Investment Advisory Committee operate, it is important that they be independent and be seen to be independent at all times.

121. A member of the Investment Advisory Committee was a managing partner of a firm of fund managers that provided services to the Provident Fund. The Board was pleased to note that the member concerned had disclosed this possible conflict of interest in a letter to the Commissioner-General. The terms of reference for the Investment Advisory Committee, however, did not indicate how it should proceed on matters where a conflict of interest arose.

122. **UNRWA and the Provident Fund agreed with the Board's recommendation that the terms of reference of the Investment Advisory Committee should be expanded to address conflict-of-interest matters.**

Provident Fund Committee

123. The Provident Fund Committee has the function of considering and evaluating all aspects of the administration of the Provident Fund, including policy on the investment of the Fund's assets. The Commissioner-General is the ex officio

Chairman of the Committee. In his absence, the Deputy Commissioner-General acts as Chairman. The Provident Fund Committee submits to the Commissioner-General for his approval all decisions in his absence.

124. The Board noted that the terms of reference of the Provident Fund Committee did not specify the term of appointment for members. The Board also noted that there were numerous changes to the membership of the Provident Fund Committee in terms of staff representation.

125. **Given the specialized nature of the Provident Fund's activities, the Board recommends that UNRWA revise the terms of reference of the Provident Fund Committee to provide for a minimum number of years that representatives may serve on the Committee.**

126. UNRWA informed the Board that changes in the membership of the Provident Fund Committee membership had occurred because of resignations from the staff unions and the inability to travel. UNRWA agreed that the recommendation would be included in the new directive as a recommended practice for members.

127. During the biennium under review, the Provident Fund secretariat conducted a seminar for the member representatives and executive committees of the staff union with the aim of educating members on technical investment issues. This was to enable them to analyse and keep abreast of current financial market developments. In addition, members of the Provident Fund Committee attended a technical seminar on strategic asset allocation review. These updates are important in terms of members being able to carry out their fiduciary duties. The seminar did not extend to retirement funding management.

128. **UNRWA agreed with the Board's recommendation that it provide training in retirement funding management to members of the Provident Fund Committee. The Board also recommends that newly elected members of the Committee be required to attend such training courses.**

129. UNRWA informed the Board that the Provident Fund training seminars now included topics relating to retirement management and that all new members of the Provident Fund Committee would be invited to those seminars.

Provident Fund assets

130. The Provident Fund has two types of assets, namely, investments in funds made from Provident Fund contributions and loans to members made from members' fund credits. The total assets of the Fund amounted to $931.7 million at 31 December 2003.

131. Concerning investments, the Board was pleased to note the level of disclosure provided by the Provident Fund in notes 5, 13 and 14 to the Provident Fund financial statements. The Northern Trust is the custodian for all Provident Fund investments. UNRWA used seven portfolio managers to spread its risk.

Performance of fund managers

132. The Fund's net income for the year ended 31 December 2003 amounted to $112.8 million. The Board was pleased to note that the Provident Fund had monitored the performance of the fund managers on a regular basis. Note 5 to the financial statements of the Fund provides details concerning the performance of the fund investments and the benchmarks used. In addition to the benchmarking, the Board noted that each fund manager had its own service contract and investment

guidelines upon which the investing of funds should be based. The investment guidelines indicate that the fund managers were required to achieve a return "in excess" of the benchmark, as stipulated by the Provident Fund. One fund manager had received a warning from the Fund for poor performance, and a portion of the funds it administered had been reallocated to other fund managers.

Awarding of contracts to fund managers

133. The Board noted that the industry in which the Provident Fund operated was highly specialized. Accordingly, the awarding of new contracts to fund managers should involve detailed evaluations of market conditions, performance of fund managers and other relevant factors. The Provident Fund did not have documented procedures for the awarding of new contracts to fund managers.

134. **UNRWA and the Provident Fund agreed with the Board's recommendation that the Fund: (a) develop formal policies and procedures addressing underperformance by fund managers and incorporating defined dates and milestones for the evaluation of fund managers' performance; and (b) develop tender procedures that would, inter alia, regulate the awarding of contracts to fund managers.**

Provident Fund member loans

Granting of loans

135. In 1985, the Provident Fund made a decision to grant loans to members of the Fund. The loans were limited to members who met certain criteria, as well as to the members' share in the Fund (accrued benefit). Furthermore, the Provident Fund granted loans based on humanitarian grounds only.

136. More than one loan may be awarded to a member provided that the combined maximum monthly repayment was not more than 25 per cent of the member's monthly base salary. The Provident Fund recovers administrative costs through a 1 per cent charge on the value of the loan, deducted in full from the total loan value before the balance is paid to the staff member.

137. The member loans as at 31 December 2003 amounted to $54 million. Since the inception of the loan scheme, the Provident Fund had granted loans amounting to $70.5 million. Of the total loans granted, the Provident Fund had recovered approximately 27 per cent, or $19.2 million, as at 31 August 2003, as reflected in table II.6. Members at field offices in Gaza and Jordan accounted for more than 67 per cent of the loans granted.

Table II.6
Provident Fund staff loans as at 31 August 2003
(Millions of United States dollars)

Location	*Capital*	*Repayments*	*Current balance*	*Percentage*	*Number of loans*
Gaza field office	23.3	6.5	16.9	32.90	5 062
Jordan field office	24.4	6.6	17.9	34.84	4 757
Lebanon field office	6.0	1.7	4.3	8.45	2 482
Syrian Arab Republic field office	5.7	1.4	4.3	8.37	1 874
West Bank field office	10.1	2.8	7.3	14.16	2 018
Amman headquarters	0.7	0.2	0.5	1.00	160
Gaza headquarters	0.2	-	-	0.27	57
Total	**70.5**	**19.2**	**51.3**	**100.00**	**16 410**

138. The Board noted that:

(a) More than 40 per cent of members had benefited from the loan scheme;

(b) At least 271 employees had taken out more than 5 loans, with 3 members having 12 loans each. Those members were located at the Lebanon and Gaza field offices;

(c) Prior to 31 August 2002, the external liabilities of members had not been taken into account before loans were authorized.

139. The Board also noted that:

(a) The Provident Fund might be defeating its main objective by providing such loans;

(b) The Provident Fund had lost potential earnings of some $31.8 million since the inception of the loan scheme since it did not receive any return on loans made. The potential loss of earnings was calculated by applying the investment index (rate of return) to the balance owed at the end of each year;

(c) The Provident Fund enjoyed tax-free status in terms of the privileges granted to it by the host countries. The granting of multiple loans to members could potentially affect the tax status of the Fund owing to other locally available financing arrangements.

140. The Board noted that the follow-up on usage of loans granted was inadequate to determine whether the loan was used for the purpose intended. Inadequate follow-up procedures could leave the system open to manipulation in that members could apply for loans and use them for purposes other than those disclosed in their loan applications. The Provident Fund informed the Board that, where practical, the Fund followed up on loans granted.

141. **UNRWA and the Provident Fund agreed with the Board's recommendation that it should follow up on all loans granted to ensure that loans are used for the purposes disclosed in loan applications.**

142. UNRWA informed the Board that it had tightened procedures and loan applications had been amended to ensure that the necessary supporting documentation would be provided. Regular training and educational meetings were held. The finance and human resources systems were extensively used to provide validations and controls against the loans.

Calculation of average balances

143. The Provident Fund declared a rate of return on investments on a monthly basis. It applied that rate to a member's average Fund credits and the return was added to the member's Fund credits. The rate of return was based on the income earned by the Fund on investments made with available funds. This implies that current-month contributions and loan repayments would not be entitled to any return, as those funds were not invested and, therefore, no returns were generated by those monies.

144. The Board noted that when calculating the average balance of members' Fund credits, while the current-month contributions were excluded, the current month's loan repayments were added to the members' Fund credits. This calculation was not correct, as the loan repayments have not generated any return and as such should not be entitled to any return in the current month.

145. **The Board recommends that UNRWA formalize an accurate calculation of the average balance of members' Fund credits.**

4. Audit and Inspection Committee

146. UNRWA established an Audit and Inspection Committee in 1998, and the Commissioner-General approved the minutes of the first meeting on 29 November of that year. Organizational directive 24 governs the activities of the Committee.

147. The Board noted that organizational directive 24 clearly indicated the responsibilities of the Audit and Inspection Committee, namely:

(a) To ensure the independent role of the Agency's internal audit function;

(b) To appraise the adequacy of the audit plans, scope and general effectiveness of internal audit services and identify potential areas where the Agency may benefit from an audit;

(c) To review the reports of the Audit Office and the external auditors, assess the implications of their findings on existing policies, systems and procedures and monitor implementation of their recommendations by the concerned offices;

(d) To report on a periodic basis to the Commissioner-General on matters arising from assignments and actions taken in the implementation of recommendations by concerned offices within the Agency;

(e) To undertake related tasks as the Commissioner-General may entrust to it from time to time.

Composition

148. In addition to the members listed in table II.7, other directors may attend on an ad hoc basis with other officials attending at the request of the Chairperson. The

members of the Audit and Inspection Committee were all senior staff within UNRWA who were involved in the Agency's decision-making activities.

Table II.7
Members of the Audit and Inspection Committee

Title	*Position*
Deputy Commissioner-General	Chairperson
Legal adviser	Member
Director, Executive Office	Member
Director, Administration and Human Resources	Member
Comptroller	Member
Director, Audit and Inspection Department	Secretary

149. The Board is of the opinion that appointing external members could provide the Audit and Inspection Committee with a greater base of expertise and knowledge. In addition, external members could promote increased transparency of UNRWA.

150. **The Board recommends that UNRWA consider including external members on its Audit and Inspection Committee.**

151. UNRWA informed the Board that the Audit and Inspection Committee would consider this recommendation and make appropriate recommendations to the Commissioner-General.

Monitoring of audits

152. The Board noted that organizational directive 24 made provision for the Audit and Inspection Department to provide semi-annual reports to the Audit and Inspection Committee on the status of recommendations issued by both the Department and the external auditors. The Department is to report to the Committee on all unsatisfactory or incomplete responses received. Furthermore, the directive states that the Committee will recommend to the Commissioner-General the appropriate action to be taken by both the Audit and Inspection Department and the substantive departments. Although the Department informed the Committee of the recommendations issued, there was no monitoring process in place to determine the actual status of implementation of those recommendations.

153. The Audit and Inspection Department was not provided with copies of reports on other reviews or evaluations other than that of the Board. Furthermore, the Audit and Inspection Committee did not receive or review the reports. Given the purpose of the Committee and the Department, the Board considers that all audit and evaluation reports should be made available to it for review, monitoring and evaluation.

154. The Board was pleased to note that in December 2003, the Audit and Inspection Department as part of its report updated the Audit and Inspection Committee on the status of implementation of recommendations that emanated from

internal audit reports and those of the United Nations Board of Auditors. In addition, the Board noted that the Audit and Inspection Department had become more proactive in the monitoring of recommendations issued by it.

155. **The Board recommends that UNRWA expand the terms of reference of both the Audit and Inspection Department and the Audit and Inspection Committee to include reviews and monitoring of reports issued by all auditors and evaluation teams.**

Review of financial statements

156. The Board noted that a review of the UNRWA financial statements was not included as a responsibility of the Audit and Inspection Committee. Such a review could include:

(a) Compliance with statutory requirements and accounting standards;

(b) The resolution of any significant or unusual accounting or auditing problem highlighted by management and/or the internal or external auditors;

(c) The nature of any significant adjustments to the financial statements proposed by management and/or internal or external auditors;

(d) The statement of disclosure in the biennial financial statements;

(e) The nature and impact of any changes in accounting policies during the biennium;

(f) Reasons for major fluctuations in financial statements (current biennium compared to prior years);

(g) Unusual circumstances or events reflected in the financial statements;

(h) Unusual or significant commitments or contingent liabilities;

(i) Significant transactions that are not a normal part of the Agency's business.

157. The Board is of the view that such a review would be beneficial to UNRWA in that it would assist the Agency in identifying, correcting and improving the presentation and disclosure issues at a much earlier stage of its reporting process.

158. **UNRWA agreed with the Board's recommendation to consider expanding the terms of reference for the Audit and Inspection Committee to include a review of the presentation and disclosure of the financial statements of UNRWA.**

5. Audit and Inspection Department

159. The Board was pleased to note that UNRWA had implemented all the recommendations made in paragraphs 66 to 104 of its previous report[2] concerning the Audit and Inspection Department.

160. Although the Audit and Inspection Department had undergone changes in terms of personnel, it completed more than 73 per cent of the planned assignments for the biennium 2002-2003 (23 planned versus 17 completed). In addition, the Audit and Inspection Department performed 15 additional ad hoc assignments during the biennium. Those assignments contributed largely to the Department not

being able to complete all of its planned assignments, although the outstanding assignments were currently receiving attention.

Implementation of Audit and Inspection Department recommendations

161. As illustrated in table II.8, the Audit and Inspection Department issued 309 recommendations during the biennium, of which 240 were fully accepted, 21 were partly accepted, 40 were rejected and 8 were pending a decision.

Table II.8
Summary of Audit and Inspection Department recommendations

	Accepted					*Implemented*		
Year	*Fully*	*Partly*	*Rejected*	*Pending decision*	*Total*	*Fully*	*Partly*	*Total*
2002	133	16	32	6	187	3	1	4
2003	107	5	8	2	122	34	22	56
Total	**240**	**21**	**40**	**8**	**309**	**37**	**23**	**60**

162. The recommendations were being implemented at a slow rate, with 23 per cent of the recommendations accepted having been implemented either in full or in part. According to the Audit and Inspection Department, the low rate of implementation for 2002-2003 was due to a large number of recommendations being issued late in the year.

Office automation

163. The Board noted that in the past the Audit and Inspection Department had documented its work largely on hard copies of working papers but that it was in the process of incorporating electronic working papers in its work processes. Furthermore, the Department had undertaken to update the shared directory created for filing working papers and was in the process of evaluating various audit software applications.

6. Third-party reviews

164. UNRWA was subjected to audits and reviews by:

(a) The United Nations Board of Auditors, under the terms of the Financial Regulations and Rules of the United Nations;

(b) The Audit and Inspection Department, mandated by UNRWA organizational directive 14;

(c) Reviews by donor countries mandated by donor agreements.

165. In terms of item (c) above, the Board noted that donors had performed nine such reviews or evaluations on UNRWA, as follows:

(a) Assessment of needs for the rehabilitation of water, sewerage and drainage networks for Jenin camp followed by an assessment of immediate needs

for the rehabilitation of water and sewerage networks in other camps of the West Bank, conducted in 2003 by a World Health Organization consultant;

(b) Evaluation of maternal health services and early detection of birth defects, conducted in 2003 by a consultant of the United States Centers for Disease Control and Prevention;

(c) General evaluation of the technical and vocational education and training programme, conducted in August 2003 by a United Nations Educational, Scientific and Cultural Organizational consultant;

(d) Baseline study report on students' attitudes, conducted in June 2003 by the education support evaluation team of the Department for International Development;

(e) Interviews with senior managers, conducted in September 2003 by a Department for International Development consultant;

(f) Evaluation consultancy visit report, conducted in November 2002 by a Department for International Development consultant;

(g) Initial impact assessment report (sweep 1), conducted in February 2003 by an education support evaluation team of the Department for International Development;

(h) UNRWA monitoring achievement test in Arabic, English, math and science, conducted in November 2003 by a consulting services team of the Department for International Development;

(i) Administrative aspects of reform undertaken by UNRWA, conducted by the European Aid Cooperation during 2002 and 2003.

166. In its resolution 52/220 of 22 December 1997, the General Assembly, in approving the comments and recommendations of the Advisory Committee on Administrative and Budgetary Questions in its report on the proposed programme budget for the biennium 1998-1999,[4] accepted the recommendation that any third-party audit agreement should be the object of prior approval by the competent legislative bodies (see A/48/587).

167. In view of this position, the Board reviewed the specific terms of reference of a sample of evaluations conducted by third parties on behalf of donors. The Board was pleased to note that UNRWA had taken a firm position against entering agreements with donors that allowed for third-party audits. Accordingly, such third-party reviews were of a technical nature and did not appear to infringe on the mandate of the external auditors.

168. However, the Board noted that UNRWA did not have a formalized procedure for dealing with such requests and agreements or third-party reviews. There is therefore a risk that the Agency's unwritten practice may not be followed in future and may not be known to all donors.

169. The external auditor of UNRWA, the United Nations Board of Auditors, has a broad mandate to conduct audits and reviews, including on the general administration and effectiveness of operations. This mandate is set out in article VII

[4] *Official Records of the General Assembly, Fifty-second Session, Supplement No. 7* (A/52/7/Rev.1).

of the Financial Regulations and Rules and the annex thereto. There is therefore a risk that some third-party reviews could duplicate work covered by the Board of Auditors. The Agency's current practice did not encourage consultation with the Board of Auditors prior to the conclusion of the relevant agreements with UNRWA for donor reviews.

170. **The Board recommends that UNRWA establish a mechanism to formally evaluate, on the basis of predetermined criteria, requests from third parties to conduct audits and reviews, in consultation with other United Nations organizations, with a view to applying consistent practices. Those criteria should include consultation with the Board of Auditors for requests that could have an impact on the Board's mandate and in the context of the General Assembly's position on third-party audit agreements.**

171. UNRWA informed the Board that it would deliberate further on this recommendation during the Audit and Inspection Committee meeting and would solicit input from other United Nations organizations as well.

7. Human resources management

172. During the biennium 2002-2003, UNRWA had 23,546 established posts (2000-2001: 23,266) with 2,076 (9 per cent) vacant (2000-2001: 1,213). More than 70 per cent of UNRWA international staff were based at the two headquarters (Gaza and Amman) and at the field office in the West Bank. More than 75 per cent of UNRWA area staff were based in the field offices in the West Bank, Gaza and Jordan respectively.

173. Payroll costs of $517.4 million represented more than 63 per cent of the total expenditure for the biennium under review (excluding microfinance and microenterprise programme expenditure) (2000-2001: $446.7 million representing 64 per cent). Area staff payroll costs represented 93 per cent of total payroll costs.

Vacancies

174. UNRWA had a budgeted vacancy rate of 2 per cent for area staff and a 5.5 per cent and 3.8 per cent vacancy rate for Professional and General Service staff respectively. In terms of area staff, UNRWA had 891 vacant posts, representing a vacancy rate of 3.6 per cent as at December 2003. This represented an improvement from the previous biennium, when UNRWA had 1,182 vacant posts, representing a vacancy rate of 5.1 per cent.

175. UNRWA experienced a staff turnover rate of 10 per cent with respect to area staff employed under the 1999 area staff rules. This was due to the conditions of service under the area staff rules of 1999 being less attractive than those under the pre-1999 area staff rules. This factor also influenced the recruitment process and contributed to the inability of UNRWA to attract and retain staff members. In order to alleviate this situation, UNRWA intended to obtain financial resources from donors to facilitate the alignment and integration of the two sets of rules into one set.

176. An analysis of the vacant posts revealed that 57.9 per cent (516 posts) of vacancies remained within the education programme. UNRWA explained that the Department of Education was gearing itself up for the new school year and therefore had to deal with an increased number of new appointments, transfers and

resignations. The vacancy rate for the remainder of area staff had been less than 2 per cent as at December 2003.

177. The Board also noted an improvement in the vacancy rate of international staff, where the rate decreased from 27.4 per cent in the previous biennium to 7.9 per cent in the current biennium (11 vacancies out of 140 posts as at October 2003).

Long-vacant posts

178. The Board further analysed vacant posts to determine the period in which posts were vacant. That analysis (as at October 2003) indicated instances in which posts of both international and area staff had been vacant for extended periods.

179. According to data extracted from the Human Resources Management and Payroll System, certain posts had been vacant since 1940, although UNRWA commenced operations only in 1949.

180. UNRWA indicated that the 1940 date had been selected as a default date (for technical reasons) for all posts transferred from a database maintained in Vienna. At the time of the conversion, those posts were vacant and since then no action had been associated with them. UNRWA further indicated that personnel officers would be instructed to check on similar cases and to either change the vacancy date to 1 January 2002 (the date of conversion) or to delete such posts if they were no longer needed.

181. **UNRWA agreed with the Board's recommendation that it should monitor vacant posts and provide regularly updated information on the progress made in filling them, as well as undertake a continuous evaluation of the need for the posts.**

182. UNRWA informed the Board that an Agency-wide exercise was being undertaken to evaluate vacancies in area posts with a view to determining whether or not such long-vacant posts were still needed. UNRWA also advised the Board that it had improved its recruitment processing time, which was now within the United Nations Secretariat's target of 120 days.

Succession planning

183. The Board analysed the Human Resources Management and Payroll System database information to determine the number of staff retiring within the next five years. The Board's analysis revealed that 1,738 area staff members would be retiring within five years, representing 7.4 per cent of the area staff establishment. However, 26 staff members, or 18.6 per cent of international staff, would also be retiring within five years.

184. UNRWA was reviewing strategies for succession planning. Opportunities for staff rotation, secondment and transfers were limited owing to the nature of the operations, namely:

(a) The areas of operations were scattered within the region;

(b) Some duty stations experienced frequent emergency situations;

(c) The prevailing political and security situation in the region limited the movement, transfer and rotation of staff.

185. **UNRWA agreed with the Board's recommendation to formalize the process of succession planning.**

186. UNRWA informed the Board that during the biennium 2004-2005, the Agency intended to improve the quality and quantity of training to be provided to staff members and to increase the career opportunities of existing staff members by maximizing the use of internal recruitment. Similarly, supervisors and managers would be encouraged to provide coaching and mentoring to staff members through in-house and on-the-job professional development. Furthermore, a new division responsible for human resources planning and development was created in May 2004. It was expected that this division, once staffed and fully operational, would embark on systematic staff development and succession-planning programmes.

Performance management system

Performance contracts

187. Performance evaluations were based on work-related activities performed and accomplishments achieved during the period under review. They were evaluated against the incumbent's post description, albeit outdated, and did not take into account the changing working conditions of the staff. UNRWA was studying the possibility of introducing an objectives-based performance management system and was assessing how to implement it.

Personal development plans

188. Although training did take place at UNRWA, there were no personal development plans for individual employees against which they could evaluate their own growth and development. Regular review of the personal development plans would enable the employee to measure personal growth and the organization would be able to measure organizational growth. Such plans should detail the competency gaps identified from the results of the performance assessment process. Individual personal development plans should address both the proactive and reactive steps necessary to address the competency gaps identified.

189. **The Board recommends that UNRWA consider initiating personal development plans.**

190. UNRWA informed the Board that, while it was still considering whether to introduce an objectives-based performance appraisal system, it would expedite preliminary steps to revise performance evaluation reporting to provide for recording and discussions relating to training needs and personal development plans. UNRWA also concurred with the need to evaluate training in order to assess its contribution towards the professional development and growth of its staff members. It noted that, in the absence of a qualified training officer, this process had not been undertaken and that it planned to recruit a training officer for this purpose, among other things.

Leave module on the Human Resources Management and Payroll System

191. During the review of the record keeping with respect to leave balances, the Board noted that each office used individualized systems for capturing such balances. They were either manual, computerized or a hybrid. Furthermore, the newly implemented Human Resources Management and Payroll System contained a

leave module. Although management had approved the module, its implementation had been delayed. UNRWA acknowledged that once it implemented the leave module, the different leave application systems would not be used further. It also informed the Board that initial testing of the annual and sick leave subscreens had been undertaken subsequently.

192. **UNRWA agreed with the Board's recommendation to expedite the implementation of the Human Resources Management and Payroll System leave module so as to achieve consistency across the organization.**

8. Training

193. The Board of Auditors reviewed the training activities of UNRWA as well as the processes and procedures used in that regard to achieve training objectives. The review consisted of a diagnostic overview of training activities managed within the organization and the procedures and processes used in that regard.

194. UNRWA had developed its own training policy for both local and international staff, which reflected its awareness of the importance of training. Training at UNRWA consisted of both planned and ad hoc training. UNRWA managed training under two systems, which could be classified as technical and general. Technical training encompassed training specific to a particular unit and UNRWA had decentralized this type of training. General training included language training, as well as management and other leadership courses. The Administration and Human Resources Department managed general training.

195. The Board noted that UNRWA did not produce a formal report on training. Such a report would assist in the compilation of information for management purposes and the planning of training for the Agency and should include an analysis of training costs and other appropriate ratios to evaluate training activities in UNRWA and the impact of any cancellation of training.

196. Although the budgeted training expenditure of $3 million was almost 50 per cent more than in the previous biennium, actual expenditure of $1.4 million (2000-2001: $1 million) for training represented 47 per cent (2000-2001: 49 per cent) of budgeted expenditure. Actual training expenditure represented 0.27 per cent (2000-2001: 0.22 per cent) of actual staff costs of $517.4 million.

197. UNRWA indicated that the main reasons for these major variances were inadequate funding and emergency situations that arose in the UNRWA areas of operations. The effect was that training had to be rescheduled or cancelled.

198. UNRWA made use of both internal staff and external consultants for training. It also made use of a "train the trainer" process that was used widely within the organization to disseminate knowledge to all staff members. UNRWA did not consider other methods of disseminating knowledge such as distance learning.

199. Concerning the monitoring of training, UNRWA informed the Board that it had created a post of training officer to address shortcomings pertaining to reporting, monitoring and evaluation of training.

200. **The Board recommends that UNRWA: (a) compile, on a periodic basis, a report containing details of all expenses incurred for training purposes as well as an assessment of whether the training objectives and needs have been met; and (b) investigate the use of distance-learning techniques.**

201. UNRWA informed the Board that a new division had been established to be responsible for planning, organizing, implementing and evaluating training activities in order to assess whether objectives are being met in addition to monitoring costs and ensuring that appropriate ratios are analysed. A training needs analysis was completed in December 2003 and a training plan based on the stated needs and skill requirements was in the process of being compiled. The education assistance programme was being reviewed so that a consolidated policy on education assistance, as well as distance learning, could be further developed and integrated, as appropriate.

9. Asset management

202. In paragraphs 31 to 34 of its previous report,[2] the Board recommended that UNRWA implement the asset module included in the newly acquired Financial Management System as a matter of urgency in order to rectify deficiencies in the management and control of fixed assets.

203. UNRWA had not implemented the asset module of the Financial Management System at the time of the audit. UNRWA attributed the delay to the following factors:

(a) This was the first time that UNRWA had undertaken to record all of its assets in one database;

(b) Additional preparation of data was required to ensure that when the asset module was implemented all information captured by the seven locations would be standardized;

(c) In addition, certain information pertaining to land and buildings was not readily available.

204. The Board also noted that the Agency's material inspection officers had to verify a large number of assets spread out over a vast area. Furthermore, the manual system of recording and updating locator cards and reconciling them to the value cards and general ledger added to the difficulty of maintaining the asset records.

205. UNRWA could track non-expendable equipment with computer-generated serial numbers if it implemented a computerized fixed-asset tracking system. It could also verify the existence and location of those assets with hand-held scanners. After completing such verification, the Agency could upload the data into a central database for management information purposes. UNRWA could coordinate such efforts with those of other United Nations organizations that make use of this technology.

206. UNRWA agreed with the Board's recommendation that it conduct a study on the use of bar coding, hand-held scanners and the consequent computerization of record updates. The Board reiterates its recommendation that UNRWA implement the asset module included in the financial management system as a matter of urgency.

10. Procurement

207. The Board reviewed the procurement procedures at UNRWA, taking into consideration the work performed by the Audit and Inspection Department at various field offices during the biennium. The Board was pleased to note that those

policies and procedures were generally sound and promoted good internal control. The Board reviewed the lead times, from requisition to delivery to payment for goods and services. The Board was pleased to note that UNRWA had established benchmarks for procuring different goods and services, which allowed UNRWA to set performance measures for their procurement. UNRWA actively monitored supplier performance on each purchase order executed.

208. There were cases in which the procurement lead times were excessive, mainly in respect of basic commodities. In those instances, UNRWA placed orders early to obtain the most favourable prices, for example by monitoring the global market trend concerning flour or rice and the timing of the harvests.

209. UNRWA maintained a database of all suppliers. Prior to February 2003, UNRWA reviewed and updated the details of suppliers with whom it dealt on a regular basis. After February 2003, UNRWA undertook a review of all suppliers on its system to determine whether all data pertaining to them were valid, accurate and complete. As a result of that exercise, in February 2004 UNRWA removed from the approved supplier list 139 suppliers with whom it had had no dealings for more than a year.

210. **The Board recommends that UNRWA continue to review the supplier database on a regular basis to ensure that it is valid, accurate and complete.**

11. Information and communication technology

Strategy

211. An information and communication technology plan provides a road map of the information and communication technology required to support and enhance the organizational direction, outlining the resources that are required and the benefits that would be realized from the implementation of the plan. The UNRWA information and communication technology strategic plan had not been approved at the time of the audit.

212. An information and communication technology strategic plan should include the following:

(a) The information and communication technology department's aims and objectives pertaining to information technology with respect to all groups;

(b) The extent to which business operations and information and communication technology would be integrated;

(c) The structure of the information and communication technology environment;

(d) Purpose of the information and communication technology environment;

(e) Services the information and communication technology environment has to deliver;

(f) Facilities used by information and communication technology;

(g) Resource requirements.

213. **UNRWA agreed with the Board's recommendation that it expedite the process of approving the information and communication technology strategic**

plan. UNRWA also agreed to update the plan on a continuous basis to provide for changing circumstances in respect of requirements of UNRWA and technological advances.

Security

214. In terms of ensuring security of the information and communication technology environment, an organization should have an information and communication technology security policy and security officer in place. The responsibilities of the information and communication technology security officer should include the following:

(a) Development and maintenance of data security policies and procedures;

(b) Administration of access control software;

(c) Regular reviewing of access rights to ensure compliance with the data security policies and procedures;

(d) Identification of the owners of data entities to ensure maintenance of their integrity;

(e) Monitoring of security and investigation of security violation attempts.

215. The Board noted that the security administrator post was vacant. In addition, UNRWA did not have an information and communication technology security policy in place.

216. **UNRWA agreed with the Board's recommendation that it pursue its plan to recruit an information and communication technology security administrator and to develop an information and communication technology security policy as soon as possible. UNRWA also agreed to develop, approve and update its security policy on a regular basis in order to provide guidelines for compliance by staff members. UNRWA should communicate the policy to all personnel, stressing the importance of adherence thereto.**

217. UNRWA informed the Board that the recruitment of a security administrator had since been completed and that the successful candidate was expected to join UNRWA in August 2004. The development of an information and communication technology security policy would be undertaken by the new security administrator as a high-priority assignment upon reporting to duty.

Disaster recovery plan

218. A disaster recovery plan takes into account all types of disastrous events influencing both information system processes and end-user functions. The disaster recovery plan should include the application systems used and should make provision for emergency, fallback and resumption procedures. To ensure the effectiveness of the plan and compliance with it, it is important that it be communicated to all staff in an organization. UNRWA should retain a copy of the disaster recovery plan off-site.

219. Although individual recovery plans for most of the ICT systems existed, UNRWA had not developed a comprehensive disaster recovery plan, which clearly outlined procedures for reducing the risk of a business disruption in the event of a disaster. The Board also noted that no documented formalized back-up procedures

existed at UNRWA. Without a formally documented, approved and tested disaster recovery plan, there is a high risk that operation and maintenance of the system would not be able to continue for a considerable period of time in the event of a disaster. The subsequent resumption of operations could prove costly.

220. **UNRWA agreed with the Board's recommendation that it implement adequate back-up procedures as part of a disaster recovery plan. UNRWA also agreed to develop and approve a comprehensive disaster recovery plan, communicate it to all personnel, test it regularly and review and update the plan regularly. A copy of the disaster recovery plan should be kept off-site.**

Performance monitoring

221. Effective information and communication technology performance and capacity management ensures that adequate capacity is always available and that the best and optimal use is made of it to meet the required performance needs. UNRWA did not have monitoring reports for managing performance and capacity. UNRWA therefore was not aware of processing unit utilization, slow response time or other error statistics.

222. **The Board recommends that UNRWA consider implementing performance-monitoring reports in the computer server environment to remain abreast of any errors or areas of weakness in that environment.**

System development life cycle

223. As reported in paragraphs 111 to 116 of the Board's previous report,[2] UNRWA did not have a formally documented system development life-cycle methodology in place. Without the guidance provided by such a methodology, UNRWA would not be able to address control over the design and implementation of new applications and the achievement of business and application control requirements.

224. Any system development life-cycle methodology should be formally structured into phases that yield a measurable end product. It should cover, inter alia, system analysis, system design, system coding and testing, system documentation, system implementation and training. UNRWA informed the Board that it was in the process of developing such a methodology.

225. **The Board reiterates its recommendation that UNRWA develop a formal system development life-cycle methodology to govern the process of developing, acquiring, implementing and maintaining computerized information systems and related technology, and UNRWA agreed with the recommendation.**

226. UNRWA informed the Board that, although it did not have a formally adopted system development life-cycle methodology, it followed industry norms and standards for system development and change control procedures.

Quality control

227. The Board noted that quality-control procedures and policies were not in place. Quality-assurance policies and procedures help to ensure that personnel are following prescribed quality processes and that the software is free from defects and meets user expectations.

228. **The Board recommends that UNRWA prepare and implement information communication technology quality-assurance policies and procedures.**

229. UNRWA informed the Board that it was addressing those matters as part of the ongoing activity to develop a systems development life-cycle methodology, including an internal auditing function within each project.

Emergency change procedures

230. There may be times when emergency changes are required to resolve system problems while critical processing is allowed to continue. Formal procedures for effecting emergency changes to the systems were not implemented. For most emergency changes, no approval was required to effect changes.

231. **UNRWA agreed with the Board's recommendation that it: (a) implement procedures to ensure that emergency changes can be performed without compromising system integrity or causing unnecessary delays in the business processes; and (b) ensure that adequate audit trails exist concerning those procedures.**

232. In May 2000, UNRWA purchased from a vendor the licence of the finance software system and the human resources management and payroll software system. The contract specified a project sign-off date of 10 June 2001. Both systems had been partially implemented at the time of the audit without their having been signed off or handed over to UNRWA.

233. The purchase agreement entailed the provision of related software installation, configuration, customization, implementation, maintenance and other services. Since 2000, numerous variations in the requirements of the new systems and other implementation issues have impeded the progress of the project, resulting in two addenda to the original contract and significant time and cost overruns.

234. The following modules had not been fully implemented: (a) leave management; (b) recruitment; (c) performance appraisal and organizational charting interface; and (d) fixed assets. UNRWA informed the Board that it expected to complete the implementation of the new Financial Management System by June/July 2004.

235. The original maximum contract price to develop a finance software system and human resources management and payroll software was $1,091,915. Two addenda (amounting to $181,890 and $25,020 respectively) were added, resulting in an additional amount of $206,910 being added to the contract. The actual payments made to the vendor as at 31 August 2003 amounted to $1,264,876.

236. The Board analysed the problems and challenges faced by UNRWA that caused the delays in the implementation of the new system. The Board acknowledges that while UNRWA had control over some of those factors, in some cases it had not. For example, unexpected security and political constraints (the second intifada and the Iraq war) led to severe travel restrictions, difficulty in acquiring visas, evacuation of staff and limited mobility of staff and vendor personnel, leading in turn to the transfer of the project management and operations from Gaza to Amman. Concerning matters over which UNRWA did have control, the Board attributed the delays to UNRWA not having a formalized information and communication technology strategy or a systems development life-cycle methodology.

12. Fraud and related matters

Fraud prevention

237. The Board, in paragraph 121 of its previous report,[2] recommended that UNRWA develop its own fraud-prevention plan, including fraud-awareness initiatives. UNRWA finalized such a plan and committed to implement it in the biennium 2004-2005.

Cases of fraud and presumptive fraud

238. The Board noted that the latest information on cases of fraud and presumptive fraud was not readily available from the Audit and Inspection Department since such cases were not being reported to the Department in a timely manner.

239. **UNRWA agreed with the Board's recommendation that all cases of fraud and presumptive fraud should be reported to the Audit and Inspection Department in a timely manner and that the Department should maintain an updated database of all such matters as part of the UNRWA fraud-prevention plan.**

240. As required under the Financial Regulations and Rules of the United Nations, the Administration reported seven cases of fraud and presumptive fraud to the Board for the financial period ended 31 December 2003. These may not reflect the entire universe of fraud cases systemwide that may be under review by other offices, units or oversight bodies.

241. The Administration informed the Board that UNRWA did not incur financial losses in the three cases reported below under (b) and (d). The extent of potential losses for the case reported below under (e) had yet to be determined by the Administration since the case was still pending:

(a) A staff member misused UNRWA property by installing an Agency telephone in a commercial telecommunication office for the staff member's personal gain. The cost of misuse amounted to $803;

(b) In two cases UNRWA detected the misuse of ration coupons by staff members, one of whom admitted to the crime and was suspended. The other case is under investigation;

(c) A medical supplier attempted to manipulate medical claims by falsifying claim documents and forging the patient's signature to embezzle UNRWA monies. Fraudulent claims amounted to $180. UNRWA immediately removed the supplier from the Agency's approved list of suppliers and instituted recovery action;

(d) A staff member used his position in UNRWA to extract money from a potential microfinance and microenterprise programme client;

(e) A staff member used his position to solicit and receive sums of money from a special hardship assistance beneficiary who formed part of his case portfolio. The case is under investigation;

(f) UNRWA purchased a truck chassis for training purposes, but when it was delivered from the duty-free zone, it was found that the vehicle was different from that which had been ordered. The Agency recovered the amount of $8,475 from the staff member.

242. The Administration informed the Board that controls had been implemented to prevent a recurrence of such cases and that, where possible, action had been taken against the individual staff members.

D. Acknowledgements

243. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the Commissioner-General, senior officers of UNRWA and members of their staff. This cooperation and assistance was especially welcomed in view of the audit having to be performed from Amman during an extremely difficult time as a result of the crisis in the Middle East.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(*Signed*) François **Logerot**
First President of the Court of Accounts of France

9 July 2004

Note: The Board of Auditors has signed only the original English version of the report.

Annex

Summary of status of implementation of recommendations for the financial period ended 31 December 2001[a]

Topic	*Implemented*[b]	*Under implementation*[b]	*Not implemented*[b]	*Total*	*Reference in current report*
United Nations system accounting standards	para. 20			1	para. 18
Presentation of financial statements			paras. 24, 26	2	paras. 30-32
End-of-service benefits			para. 30	1	paras. 49-51
Asset management		para. 34		1	paras. 202-206
Unliquidated obligations	para. 38			1	para. 48
Accounts receivable		paras. 41, 43, 45		3	paras. 43-44
Cash management	para. 50		para. 53	2	paras. 35-36
UNRWA headquarters			para. 61	1	
Human resources		para. 65		1	
Internal audit	paras. 70, 73, 76, 78, 82, 90, 92, 97, 101, 103			10	para. 159
Information and communication technology	para. 110	para. 106, 115		3	paras. 223-225
Cases of fraud and presumptive fraud		para. 121		1	paras. 237-239
Total	**14**	**8**	**5**	**27**	
Percentage	**52**	**30**	**18**	**100**	

[a] See *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5C* and corrigendum (A/57/5/Add.3 and Corr.1), chap. II.

Chapter III
Audit opinion

We have audited the accompanying financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), comprising statements 1 to 7, and the supporting notes for the biennium ended 31 December 2003. The financial statements are the responsibility of the Commissioner-General. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes the examination, on a test basis and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Commissioner-General, as well as an evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNRWA as at 31 December 2003 and the results of operations and cash flows for the period then ended in accordance with the stated accounting policies of UNRWA, as set out in note 2 to its financial statements, which were applied on a basis consistent with that of the preceding financial period.

Furthermore, in our opinion, the transactions of the United Nations Relief and Works Agency for Palestine Refugees in the Near East that have come to our notice or that we have tested as part of our audit have in all significant respects been in accordance with the Financial Regulations and legislative authority.

In accordance with article VII of the Financial Regulations, we have also issued a long-form report on our audit of the UNRWA financial statements.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(*Signed*) François **Logerot**
First President of the Court of Accounts of France

9 July 2004

Note: The Board of Auditors has signed only the original English version of the audit opinion.

Chapter IV
Certification of the financial statements

1 March 2004

Pursuant to financial regulations 11.4 and 12.1 of the United Nations Relief and Works Agency for Palestine Refugees in the Near East, I have the honour to submit the accounts of the Agency for the biennium ended 31 December 2003.

I certify that all transactions have been properly recorded in the accounting records and have been properly reflected in the Agency's financial accounts and appended statements, which I hereby certify as correct.

(*Signed*) Ramadan **Al Omari**
Comptroller
UNRWA headquarters (Gaza)

Chapter V

Financial statements for the biennium ended 31 December 2003

A. Financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the biennium ended 31 December 2003

Statement 1

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

[redacted]

For The Biennium Ended 2003

(In USD)

Biennium 2002-2001 All Funds [a]	Details	Note	Regular Budget Funds			Non-Regular Budget Funds			All Funds	Microfinance and Microenterprise Programme (f)	Grand Total
			Cash	In-Kind	Regular Budget Funds Total	Emergency Appeal	Projects [b]	Non-Regular Budget Funds Total			
	INCOME										
	Contributions										
980 224 298	Governments		415 485 600	18 658 051	434 143 651	164 940 126	13 257 637	168 197 762	602 341 413	-	602 341 413
174 610 916	Inter-Governmental Organizations		136 157 865	9 743 106	145 900 971	14 578 049	3 311 944	17 889 993	163 790 964	-	163 790 964
26 387 349	U.N. Organizations		29 829 416	1 375 171	31 204 589	1 129 360	95 998	1 225 358	32 429 947	-	32 429 947
1 667 863	Non-Governmental Organizations		5 433	1 414 493	1 419 926	20 488 967	436 862	20 925 809	22 345 736	-	22 345 736
1 686 403	Other Sources	8	160 286	912 706	1 072 992	1 257 283	123 000	1 380 283	2 453 275	-	2 453 275
771 722 980	**Total Contributions** [c]		581 638 602	32 103 527	613 742 129	192 394 774	17 224 431	209 619 205	823 361 334	-	823 361 334
	Other Income										
7 243 451	Miscellaneous Income	7	3 862 663	-	3 862 663	1 478 364	288 276	1 766 640	5 629 303	2 071 150	7 700 453
(4 467 990)	Exchange Gains/(Losses)	6	16 974 488	-	16 974 488	-	(134)	(134)	16 974 354	(2 813)	16 971 741
2 775 661	**Total Other Income**		20 837 150	-	20 837 150	1 478 364	288 142	1 766 506	22 603 657	2 068 537	24 672 194
774 498 441	**TOTAL INCOME**		602 475 752	32 103 527	634 579 279	193 873 139	17 512 573	211 386 711	845 964 991	2 068 537	848 033 528
(703 330 612)	**EXPENDITURE** [d]		(565 458 466)	(36 207 104)	(601 665 571)	(184 962 416)	(33 926 937)	(218 889 353)	(820 554 923)	(4 043 985)	(824 598 908)
71 167 829	**EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE**		37 017 286	(4 103 577)	32 913 709	8 910 723	(16 414 364)	(7 503 641)	25 410 068	(1 975 448)	23 434 620
2 666 617	Prior Years' Adjustments [e]	17	(3 884 963)	(60 855)	(3 945 818)	(272 793)	(593 642)	(866 435)	(4 812 253)	17 362	(4 794 891)
73 823 446	**NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE**		33 132 323	(4 164 432)	28 967 891	8 637 930	(17 008 006)	(8 370 076)	20 597 815	(1 958 086)	18 639 729
24 724 214	Opening Working Capital/Fund Balances	2 p	9 121 571	8 702 950	17 824 521	49 045 006	32 524 227	81 569 233	99 393 754	(846 094)	98 547 660
-	Transfer to Reserve for Exchange Rate Fluctuations	16	(10 000 000)	-	(10 000 000)	-	-	-	(10 000 000)	-	(10 000 000)
9 121 571	**Closing Working Capital**		32 253 893		32 253 893			-	32 253 893	-	32 253 893
80 110 362	**Closing Fund Balances**			4 538 519	4 538 519	57 682 936	15 121 905	72 804 841	77 343 359	-	77 343 359
(984 263)	**Retained Earnings MMp & IGP**				-		394 316	394 316	394 316	(2 804 180)	(2 409 864)

[a] Please refer to Note 2 "Changes in Accounting Conventions"

[b] Please refer to Appendix 1, 2 and 3

[c] Please refer to Statement 6

[d] Please refer to Statement 5

[e] Please refer to Appendix 4

[f] Please refer to MMP Financial Statements

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

ASSETS AND LIABILITIES STATEMENT
As at 31 December 2003
(In USD)

As At 31 Dec. 2001 All Funds [a]	PARTICULARS	Note	Regular Budget Funds			Non-Regular Budget Funds			All Funds	Microfinance and Microenterprise Programme (c)	Grand Total
			Cash	In-Kind	Regular Budget Funds Total	Emergency Appeal	Projects [b]	Non-Regular Budget Funds Total			
	ASSETS										
56 456 214	Cash on Hand and in Banks	9	50 331 739	3 274 581	53 606 319	57 553 949	23 075 192	80 629 140	134 235 459	6 324 601	140 560 060
126 630 947	Accounts Receivable net of provision for uncollectable amounts	10	26 779 683	1 209	26 780 892	29 765 103	12 841 143	42 606 246	69 387 138	3 901 481	73 288 619
1 192 499	Prepaid expenses and advances to suppliers		3 193 410	1 596 328	4 789 738	1 594 290	22 905	1 617 195	6 406 933	334	6 407 267
2 086 178	Production Units Inventory	11	878 373	-	878 373	-	-	-	878 373		878 373
-	Due From MMP		26 545	-	26 545	-	-	-	26 545	(26 547)	(2)
7 066 036	Construction Work-In-Progress		7 889 755	-	7 889 755	-	-	-	7 889 755		7 889 755
309 980 276	Land and Buildings, and MMP Fixed Assets	12	354 498 404	-	354 498 404	-	-	-	354 498 404	171 309	354 669 713
505 616 152	**TOTAL ASSETS**		443 597 909	4 872 118	448 470 026	88 913 342	35 939 239	124 852 581	573 322 607	10 371 178	583 693 785
	LIABILITIES:										
20 632 136	Accounts Payable	15	15 509 867	333 599	15 843 466	1 728 913	6 235 827	7 964 740	23 808 226	43 932	23 852 158
53 225 329	Reserve for Unliquidated Budget Commitments	16	17 191 560	-	17 191 560	29 501 436	12 418 857	41 920 293	59 111 873	-	59 111 873
(505 937)	Due To Area Staff Provident Fund	13	3 150 069	-	3 150 069	-	-	-	3 150 069	-	3 150 069
2 672 200	Income received in advance		3 104 320	-	3 104 320	57	-	57	3 104 378	-	3 104 378
75 824 027	**TOTAL LIABILITIES**		38 955 856	333 599	39 289 455	31 230 406	18 654 684	49 885 090	89 174 545	43 932	89 218 477
	RESERVES:										
9 121 671	Working Capital		32 253 893	-	32 253 893	-	-	-	32 253 893	-	32 253 893
80 110 362	Fund Balances		-	4 538 519	4 538 519	57 682 936	15 121 905	72 804 841	77 343 359	-	77 343 359
-	Reserve for Exchange Rate Fluctuations	18	10 000 000	-	10 000 000	-	-	-	10 000 000	-	10 000 000
7 066 036	Capital Funds relating to Construction Work In Progress		7 889 755	-	7 889 755	-	-	-	7 889 755	-	7 889 755
309 980 276	Capital Funds relating to Land and Buildings		354 498 404	-	354 498 404	-	-	-	354 498 404	-	354 498 404
(694 263)	Retained Earnings - IOP & MMP		-	-	-	-	394 316	394 316	394 316	(2 804 180)	(2 409 864)
14 099 190	Accumulated Reserve - IOP & MMP		-	-	-	-	1 768 335	1 768 335	1 768 335	13 131 426	14 899 761
505 616 152	**TOTAL LIABILITIES AND RESERVES**		443 597 909	4 872 118	448 470 026	88 913 342	35 939 239	124 852 581	573 322 607	10 371 178	583 693 785
(0)			0	0	0	1	0	1	0	-	0

[a] Please refer to Note 2 "Changes in Accounting Conventions" [b] Please refer to Statement 7 [c] Please refer to MMP Financial Statements

Statement 3

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

CASH FLOW STATEMENT
For The Biennium 2002-2003
(In USD)

Biennium 2000-2001	DETAILS	Biennium 2002-2003
	CASH FLOWS FROM OPERATING ACTIVITIES:	
46 873 369	EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	23 434 620
(28 349 888)	Add: decrease in Accounts Receivable net of provision foruncollectable amounts	55 548 328
(791 048)	(Less): increase in Prepaid expenses and advances to suppliers	(5 214 768)
(69 627)	Add: decrease in Production Units Inventory	1 206 805
8 596 443	Add: increase in Accounts Payable	3 220 023
3 408 238	Add: increase in Reserve for Unliquidated Budget Commitments	5 886 544
(2 914 783)	(Less): Interest Income	(4 412 778)
1 892 968	Plus: Interest transferred to projects	871 133
4 467 590	(Less): Exchange Gains/(Losses)	(16 971 741)
33 113 262	**NET CASH FROM OPERATING ACTIVITIES**	**53 568 165**
	CASH FLOWS FROM FINANCING ACTIVITIES:	
327 628	Add: increase in Accumulated Reserve - IGP & MMP	600 611
2 278 467	Add: increase in Due To Area Staff Provident Fund	3 685 706
(9 427 800)	Add: increase in Income received in advance	532 178
-	Add: decrease in Due From MMP	2
2 914 783	Plus: Interest Income	4 412 778
(1 892 968)	(Less): Interest transferred to projects	(871 133)
2 296 574	Plus: Realized Exchange Gains/(Losses)	10 867 723
(3 503 316)	**NET CASH FROM FINANCING ACTIVITIES**	**19 397 864**
	EFFECTS OF CHANGES ON CASH:	
2 655 617	Prior Years' Adjustments	(4 794 891)
(6 764 164)	Un-Realized Exchange Gains/(Losses)	6 104 018
(39 050)	Reclassification of Fund Balances	(171 311)
(4 147 597)	**NET CASH FROM OTHER SOURCES**	**1 137 817**
25 462 349	**NET INCREASE IN CASH**	**84 103 846**
30 993 865	Cash Balance as at 01.01.2002	56 456 214
56 456 214	Cash Balance as at 31.12.2003	140 560 060
25 462 349	**NET INCREASE IN CASH BALANCES**	**84 103 846**

Statement 4

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

BUDGET AND EXPENDITURE
For The Biennium 2002- 2003
(In US$)

Details	Budget			Expenditure		
	Cash	In-Kind	Total	Cash	In-Kind	Total
REGULAR BUDGET FUNDS						
Education Programme						
Education Planning & Management	13 474 000	960 000	14 434 000	11 794 201	434 609	12 188 660
Elementary Education	187 047 000	28 000	187 075 000	192 129 275	2 250 893	194 380 168
Preparatory Education	116 930 000	43 000	116 973 000	121 575 498	972 939	122 548 437
Secondary Education	3 382 000		3 382 000	2 885 460	-	2 885 460
Vocational & Prof. Training	26 908 000	370 000	27 278 000	26 033 626	210 437	26 244 064
Pre-Service Teacher Education	2 199 000		2 199 000	1 877 280	-	1 877 280
Total Education Programme	**349 920 000**	**1 401 000**	**351 321 000**	**386 355 420**	**3 878 878**	**360 134 298**
Health Programme						
Programme Management	5 691 000	388 000	6 079 000	4 944 238	610 950	5 555 188
Medical Care Services	83 552 000	2 335 000	85 887 000	75 379 989	3 076 990	78 456 989
Environmental Sanitation	17 813 000	138 000	17 951 000	15 522 303	1 262	15 523 565
Nutrition & Supplementary Feeding	13 000	8 714 000	8 727 000	11 636	5 503 849	5 515 685
Special Environmental Health Programme, Gaza	925 000	-	925 000	287 533	-	287 533
Total Health Programme	**107 999 000**	**11 575 000**	**119 573 000**	**95 145 699**	**9 193 051**	**105 339 960**
Relief & Social Services Programme						
Programme Management	2 895 000	-	2 895 000	2 544 446	-	2 544 446
Relief Services	28 226 000	31 964 000	60 092 000	27 077 580	22 385 794	49 463 374
Social Services	5 537 000	14 000	5 551 000	4 965 678	63 326	5 029 004
Total Relief & Social Services Programme	**36 658 000**	**31 978 000**	**68 538 000**	**34 587 704**	**22 449 120**	**57 036 825**
Operations Services						
Procurement and Logistics	27 123 000	69 000	27 192 000	27 867 194	981 641	28 848 835
Engineering and Construction Services	6 386 000	-	6 386 000	5 882 093	209	5 882 302
Information Systems	5 361 000	-	5 361 000	4 050 112	-	4 050 112
Management	496 000	-	496 000	236 819	-	236 819
Total Operational Services	**39 366 000**	**69 000**	**39 435 000**	**38 036 219**	**981 850**	**39 718 069**
Common Services						
General Management	23 437 000		23 437 000	28 946 994	325	28 947 319
Administration	35 466 000		35 466 000	11 486 221	3 880	11 490 101
Salary Increase Reserve	15 000 000		15 000 000	-	-	-
Working Capital Build Up Reserve	14 000 000		14 000 000	-	-	-
Total Common Services	**87 903 000**	**-**	**87 903 000**	**40 433 215**	**4 205**	**40 437 420**
Total Regular Budget Funds	**621 847 000**	**44 923 000**	**666 770 000**	**565 458 467**	**36 207 104**	**601 665 571**
NON-REGULAR BUDGET FUNDS						
Emergency Appeal	**232 000 000**	**4 604 000**	**236 604 000**	**180 476 682**	**4 485 734**	**184 962 416**
Projects						
Post 1996 Projects	58 513 000		58 513 000	27 687 472		27 687 472
Peace Implementation Programme	14 522 000		14 522 000	5 923 289		5 923 289
Lebanon Appeal	450 000		450 000	347 288		347 288
Income Generation Programme	319 000		319 000	215 720		215 720
Capital & Special Projects	232 000		232 000	183 187		183 187
Expanded Programme of Assistance	136 000		136 000	-		-
Total Projects	**72 177 000**	**-**	**72 177 000**	**33 889 957**	**-**	**33 599 957**
Unfunded Projects	75 201 000		75 201 000			
Total Non-Regular Budget Funds	**379 484 000**	**4 604 000**	**384 088 000**	**214 403 619**	**4 485 734**	**218 889 353**
MICROFINANCE & MICROENTERPRISE PROGRAMME			-	**4 043 985**	-	**4 043 985**
TOTAL ALL FUNDS	**1 001 311 000**	**49 527 000**	**1 050 838 000**	**783 906 071**	**40 692 838**	**824 598 909**

Statement 5

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

STATEMENT OF [illegible] CAPITAL AND FUND BALANCES
For The Biennium [illegible]
(In USD)

Biennium 2000-2001 All Funds	Details	Regular Budget Funds			Non-Regular Budget Funds			Other Funds		All Funds
		Cash	In-Kind	Regular Budget Funds Total	Emergency Appeal	Projects	Non-Regular Budget Funds Total	Microfinance & Microenterprise Programme	Income Generation Programme	
(4 590 159)	Working Capital as at 31.12.2001	8 525 541		8 525 541						8 525 541
29 163 614	Fund Balance as at 31.12.2001		9 299 980	9 299 980	43 532 986	13 579 064	57 112 050	190 000		66 601 970
(30 000)	Retained Earnings as at 31.12.2001							(1 329 564)	166 894	(1 162 670)
24 436 656	**Total Working Capital Balances as at 31.12.2001**	**8 525 541**	**9 299 980**	**17 824 521**	**43 532 986**	**13 579 064**	**57 112 050**	**(1 139 564)**	**166 894**	**73 963 841**
	Adjustment at Reclassification of In-Kind, Microfinance and Microenterprise and Income Generation Programme	599 030	(599 030)			101 831	101 831	264 476	(166 894)	200 607
	Non-Regular Budget Confirmed Pledges 2000-2001				30 040 221	30 979 826	67 923 047			67 923 047
	Non-Regular Budget Hard Commitments 2000-2001				(29 431 211)	(15 197 374)	(43 628 585)			(43 628 585)
24 436 656	**Working Capital Fund Balance as at 01.01.2002**	**9 121 571**	**8 702 950**	**17 824 521**	**49 645 996**	**32 524 277**	**81 580 285**	**(640 054)**		**98 547 710**
	Prior Years' Adjustments									
	Provision for deficit funding on HQ Move to Gaza	(5 091 973)		(5 091 973)						(5 091 973)
	Writing off Printing Unit inventory in Lebanon	(1 407 251)		(1 407 251)						(1 407 251)
427 403	Adjustment to prior years Income and Expenditure	731 699		731 699	74 909	(9 807)	65 102	17 362		814 223
1 242 593	Prior Years' adjustments - Accounts Payable & Liabilities	1 074 712	(2 316)	1 072 396	(138 325)	(44 496)	(182 821)			889 577
625 333	Prior Years' adjustments - Savings on Liquidated Obligations	807 650		807 650						807 650
45 335	Prior Years' Adjustments - Savings on Goods in Transit									
14 153	Prior Years' Adjustments - Provident Fund and Staff Costs									
	Reclassification of Funds Savings		(58 541)	(58 541)	(259 437)	(539 339)	(798 776)			(857 317)
2 650 017	Total Adjustments	(3 994 963)	(60 855)	(3 945 818)	(272 793)	(593 642)	(866 435)	17 362		(4 794 891)
46 873 360	Excess (Shortfall) of Income Over Expenditure	37 017 350	(4 103 577)	32 913 700	8 910 723	(16 414 364)	(7 503 641)	(1 975 448)		33 434 520
	Transfer to Reserve for Exchange Rate Fluctuations	(10 000 000)		(10 000 000)						(10 000 000)
73 963 842	**Working Capital / Fund Balances as at 31.12.2001**	**32 253 684**	**4 538 518**	**36 792 412**	**57 663 930**	**15 516 271**	**73 180 207**	**(2 954 190)**		**107 157 439**

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

Statement 6

[redacted]
AND CHANGES IN FUND BALANCES
For The Biennium 2002-2003
(In USD)

Biennium 2000-2001	Details	Post 1999 Projects	Peace Implementation	Lebanon Appeal	Income Generation	Capital & Special	Expanded Programme of	HQ move to Gaza	Grand Total
	INCOME								
	Contributions								
39 632 647	Governments	10 550 442	2 707 195	-	-	-	-	-	13 257 637
34 323 230	Inter-Governmental Organizations	1 246 774	1 917 532	147 638	-	-	-	-	3 311 944
64 000	U.N. Organizations	16 986	-	-	80 000	-	-	-	96 986
230 394	Non-Governmental Organizations	433 679	2 173	-	-	-	-	-	435 852
-	Other Sources	123 000	-	-	-	-	-	-	123 000
84 170 181	Total Contributions	12 380 883	4 626 900	147 638	80 000	-	-	-	17 224 431
	Other Income								
380 439	Miscellaneous Income	-	-	-	288 276	-	-	-	288 276
-	Exchange Gains/(Losses)	-	-	-	(134)	-	-	-	(134)
380 439	Total other income	-	-	-	288 142	-	-	-	288 142
84 536 603	**TOTAL INCOME**	12 380 883	4 626 900	147 638	368 142	-	-	-	17 512 573
(54 864 134)	**EXPENDITURE**	(27 667 472)	(5 523 299)	(347 298)	(215 720)	(153 157)	-	-	(33 926 957)
9 672 469	**EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE**	(15 297 579)	(896 399)	(199 660)	152 421	(153 157)	-	-	(16 414 364)
10 493 994	Prior Years Adjustments	3 426 159	(3 929 037)	(7 187)	100 113	(59 219)	(124 471)	-	(593 642)
20 166 463	**NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE**	(11 871 420)	(4 825 436)	(206 847)	252 534	(212 376)	(124 471)	-	(17 008 007)
12 157 798	Opening Fund Balances	20 701 947	13 159 602	314 601	101 781	460 944	767 726	(5 091 973)	32 524 227
32 362 397	**Closing Fund Balances**	13 660 128	9 334 178	107 753	-	248 568	643 256	(5 091 973)	15 516 221
191 831	**Retained Earnings**				394 316				394 316

A/59/6/Add.3

Statement 7

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

[redacted]

Biennium 2000-2001	Details	Post 1999 Projects	Peace Implementation Programme	Lebanon Appeal	Income Generation Programme	Capital & Special Projects	Expanded Programme of Assistance	HQ move to Gaza	All Funds
	ASSETS								
13 988 278	Cash on Hand and in Banks	10 417 317	9 431 018	117 906	1 217 529	248 568	643 256	-	23 075 192
30 791 287	Accounts Receivable net of provision for uncollectable amounts	11 524 444	237 478	1 100	1 078 120	-	-	-	12 841 143
140 823	Prepaid expenses and advances to suppliers	20 129	2 776	-	-	-	-	-	22 905
52 610 388	**TOTAL ASSETS**	**26 961 891**	**5 671 271**	**118 605**	**2 295 649**	**248 568**	**643 256**	**-**	**35 939 239**
	LIABILITIES								
412 342	Accounts Payable	662 907	337 096	10 852	132 999	-	-	5 091 973	6 235 827
18 338 177	Reserve for Unliquidated Budget Commitments	12 418 857	-	-	-	-	-	-	12 418 857
18 750 519	**Accounts Payable and Accruals**	13 081 764	337 096	10 852	132 999	-	-	5 091 973	**18 654 684**
	RESERVES								
32 362 446	Fund Balances	13 880 126	5 334 175	107 753	-	248 568	643 256	(5 091 973)	15 121 905
156 694	Retained Earnings	-	-	-	394 316	-	-	-	394 316
1 340 678	Accumulated Reserve	-	-	-	1 768 335	-	-	-	1 768 335
52 610 336	**TOTAL LIABILITIES AND RESERVES**	**26 961 891**	**5 671 271**	**118 605**	**2 295 649**	**248 568**	**643 256**	**-**	**35 939 239**

Notes to the financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

General notes

Note 1
Objectives of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

The mission of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) is to provide services to and promote the human resources development of Palestine refugees through the provision of educational, health, relief assistance and social services, income-generation activities, infrastructure development projects and related activities within its area of operations.

Note 2
Summary of significant accounting policies

Basis of presentation

(a) The financial statements are prepared in accordance with generally accepted accounting principles, the United Nations system accounting standards and the Financial Regulations of the Agency.

Accounting conventions

(b) The financial statements are prepared under the historical cost convention.

(c) In accordance with the Agency's financial regulation 10.2, the accounts of the Agency are maintained on the accrual basis of accounting. The fundamental accounting assumptions of "going concern" and "consistency" are followed in the presentation of the financial statements.

(d) The Agency operates a system of "fund accounting" by which it maintains separate accounts for regular budget and non-regular budget funds. The Agency's system of fund accounting provides a full identification of income and expenditure by purpose and the complete separation of the assets and liabilities of each fund. Contributions or allocations to funds other than the regular budget are assigned individual project codes, which are maintained as distinct financial and accounting entities.

(e) The Agency does not provide for future termination benefits for area staff, as these will be funded from future revenues.

(f) The Agency's financial period consists of two consecutive calendar years, as provided for in financial regulation 2.1. An interim closure of accounts is carried out at the end of the first year and a final closure at the end of the second year.

Foreign currency translation

(g) The accounts of the Agency are maintained in United States dollars. Transactions in other currencies are recorded in United States dollars using the United Nations operational rates of exchange prevailing at the time of the transaction. Gains or losses on the conversion of currencies between the market rates and United Nations operational rates of exchange are treated as an addition to or a deduction from income. At the end of a financial period, assets and liabilities in other currencies are reported in United States dollars at the rates of exchange applicable at 1 January of the following year.

Management of currency risk

(h) The primary principle of the Agency's risk management is the preservation of the value of its resources in United States dollar terms. UNRWA risk can be identified mainly as a loss in the value of unpaid non-dollar contributions and non-dollar cash assets as a result of a strengthening United States dollar. The risk arises from the date the contributions are pledged. In order to protect its assets and cash flow against adverse currency movements, UNRWA adopts a conservative risk-management approach to minimize its exposure to exchange rate fluctuations.

Income recognition

(i) Cash contributions are recorded as income on the basis of confirmed donor pledges received during the current financial period. At the end of the financial period, outstanding confirmed pledges towards regular budget cash activities and towards the emergency appeal and projects are accrued as income. Pledges in respect of in kind donations have not been accrued. For the biennium 2002-2003, there was a change in the accounting policy in respect of outstanding pledges for non-regular budget funds, whereas in previous bienniums outstanding pledges were not accrued.

(j) Using the donor's valuation, contributions in kind are recorded as income when they are received by the Agency as provided for in financial regulation 10.7.

(k) Advance contributions received from donors in respect of a future financial period are treated as income received in advance.

(l) Interest income on bank deposits, income derived from the sale of used vehicles and equipment, the share of profits on insurance policies, income from production units and other sundry income is treated as miscellaneous income.

Expenditure

(m) Expenditures reported in the Agency's financial statements include disbursements and unliquidated obligations (hard commitments) for regular budget and non-regular budget funds made against the allocation for the financial period. For the biennium 2002-2003, there was a change in the accounting policy in respect of unliquidated obligations for non-regular budget funds, whereas in previous bienniums unliquidated obligations were not accrued.

(n) In accordance with the Agency's financial regulation 10.4, expenditure on acquisition, construction or capital improvements of land and buildings is capitalized. The costs incurred during construction that extends over more than one

financial period are accumulated and disclosed as construction work in progress. On completion of the construction, the final cost is capitalized.

(o) In accordance with the Agency's financial regulation 10.3, costs incurred on the purchase of expendable supplies and the acquisition of non-expendable equipment, furniture and motor vehicles are charged to expenditure at the time of purchase. Although the Agency's non-expendable property is not treated as an asset, memorandum accounts and strict controls over assets are maintained. The asset records are maintained on a historical cost basis.

Changes in accounting conventions and reclassifications

(p) There have been changes in the accounting conventions as regards the recognition of income and expenditure for non-regular budget funds, and the comparative figures for the biennium 2000-2001 have been restated. The income generation programme has been reclassified under projects. These changes are shown in statement 5 and were made in accordance with the United Nations system accounting standards and the Financial Regulations of UNRWA.

Note 3
End-of-service benefits

Separation costs for international staff are borne by the United Nations Secretariat and no provision for those costs is provided in the Agency's financial statements. Actual separation costs for area staff are charged to the current financial period. No reserve for future separation costs of area staff is provided in the financial statements, as those payments will be funded from future revenues. In the event of a closing down of UNRWA, the accumulated termination benefits for area staff, as at 31 December 2003, would be approximately $147.3 million based on current costs, rules and regulations.

Note 4
United Nations Joint Staff Pension Fund

UNRWA is a member organization of the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined-benefit plan. It is mandatory for internationally recruited UNRWA staff members to join the Fund. The financial obligation of UNRWA to the Fund consists of its mandated contribution at the rate established by the General Assembly together with its share of any actuarial deficiency payments that might become payable pursuant to article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26 following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. At the time of the preparation of the present report, the Assembly had not invoked that provision. The Agency's liability towards the Fund had been fully met as at 31 December 2003.

Note 5
United Nations Relief and Works Agency for Palestine Refugees in the Near East Area Staff Provident Fund

The UNRWA Area Staff Provident Fund, established under article XIII of the Agency's Financial Regulations, is a retirement benefit plan that applies to all area staff members and vests after six months of service. It is a defined-contribution plan. The staff contribution is a mandatory 7.5 per cent of salary and is matched by the Agency's contribution of 15 per cent.

Notes applicable to regular budget funds

Note 6
Income from other sources

Income from other sources represents miscellaneous contributions received in cash and in kind from individuals, charitable institutions, social bodies and merchants.

Note 7
Miscellaneous income

Miscellaneous income comprises the income derived from the following sources:

(United States dollars)

2000-2001	Category	2002-2003
2 914 783	Bank interest	3 261 752
(148 907)	Income/(loss) from production units	273 610
17 746	Sale of used vehicles and equipment	38 945
15 843	Share of profit on insurance policies	35 339
358 965	Sundries	253 017
3 178 430	**Total**	**3 862 663**

Note 8
Exchange gains/(losses)

This category represents realized and unrealized gains and losses on the conversion of non-United States dollars currencies during the biennium, as set out below:

(United States dollars)

2000-2001	Category	2002-2003
2 290 828	Realized currency exchange gains/(losses)	10 867 856
(6 763 573)	Unrealized currency exchange gains/(losses)	6 106 632
(4 472 745)	**Total**	**16 974 488**

Note 9
Cash on hand and in banks

Cash on hand and in banks, totalling $53,606,319 includes $1,745,372 for the microfinance and microenterprise programme and $3,274,581 reserved for the purchase of basic commodities. Cash and bank balances under the emergency appeal and projects have been committed and earmarked for specifically funded projects.

Note 10
Accounts receivable

Accounts receivable reported in statement 2 include the following items:

2000-2001	*Category*	*2002-2003*
23 417 420	Contributions receivable[a]	10 247 584
1 405 432	Personal account of staff members	1 117 407
69 143	Refundable utility deposits	71 141
19 783 246	VAT due from the Palestinian Authority[b]	11 849 232
1 150 009	VAT due from Israel	1 949 153
31 240	VAT due from other Governments	58 442
7 218 568	Customs and port charges[c]	8 970 287
12 242 297	Claims against Governments, filed	12 666 567
341 929	Claims against Governments, not filed	549 041
-	Headquarters move to Gaza from Vienna	5 091 973
2 798 661	Miscellaneous claims and receivables	1 536 167
68 457 945	**Subtotal**	**54 186 994**
(20 704 369)	Less: provision for uncollectable amounts	(27 326 102)
47 753 576	**Total**	**26 780 892**

[a] Contributions receivable represent confirmed pledges outstanding from donors towards 2003 regular budget activities as at 31 December 2003 as reflected in section B, appendix 4.B. A total of $3,302,517 had been received by the reporting date. No provision has been made for the outstanding amount. The contributions receivable for non-regular budget funds as at 31 December total $41,044,153 (2001: $67,923,047).

[b] During 2003 the Government of the United Kingdom of Great Britain and Northern Ireland contributed $8,517,888 (5 million pounds) to assist the Palestinian Authority in reducing the value-added tax (VAT) due to UNRWA. A total of $379,745 is due from the Palestinian Authority as VAT on project disbursements, which has been recorded as receivables under projects.

[c] Customs and port charges related to projects not included above amount to $4,965,936, as this has been recorded as receivables under projects.

Note 11
Production units inventory

The Agency has three self-supporting production units. These are the Embroidery Centre, the Carpentry Unit and the Contracting Section, all of which are located in Gaza. These units are governed by separate instructions for effective management control and performance assessment. Therefore, as an exception to the

Agency's accounting policies, inventories of these production units are reported at cost under assets in the financial statements.

2000-2001	*Category*	*2002-2003*
319 047	Raw material	311 851
70 258	Work-in-progress	158 082
1 695 873	Finished goods	408 440
2 085 178	**Total**	**878 373**

The approximate value of the Agency's inventories as at 31 December 2003, based on historical cost, was $7.1 million (2001: $10.0 million).

Note 12
Land and buildings

The historical costs of land and buildings, which are capitalized, comprise the following:

2000-2001	*Category*	*2002-2003*
219 049	Land	219 049
268 341 831	Buildings and structures	302 139 861
41 419 396	Refugee shelters	52 139 494
309 980 276	**Total**	**354 498 404**

Note 13
Amount due to Area Staff Provident Fund

The amount due to the Area Staff Provident Fund consists of the following:

2000-2001	*Category*	*2002-2003*
(633 675)	Main Provident Fund	3 150 069
128 039	Austrian schilling fund	-
(505 636)	**Total**	**3 150 069**

Note 14
Other fixed assets

The historical costs of other fixed assets, which are expended at the time of purchase, comprise the following:

2000-2001	Category	2002-2003
16 921 283	**Vehicles**	**18 835 282**
1 778 109	**Vehicles surveyed**	**2 270 631**
46 914 647	**Equipment**	**53 975 849**
143 970	**Equipment surveyed**	**105 329**
15 087	**Missing equipment**	**15 087**
22 186	**Loss of vehicles not attributed to emergencies**	-
65 795 282	**Total**	**75 282 178**

Note 15
Accounts payable

Accounts payable include the following:

2000-2001	Category	2002-2003
6 565 203	Accounts payable	9 192 512
379 038	Deposits received	1 654 624
8 283 597	Funds held for other organizations[a]	2 768 056
1 887 501	Unpaid cheques, salaries, wages, etc.	2 228 294
17 115 339	**Total**	**15 843 486**

[a] Includes short-term investments amounting to $1.7 million made on behalf of the microfinance and microenterprise programme.

Note 16
Reserve for unliquidated budget commitments

The reserve includes the following:

2000-2001	Category	2002-2003
7 792 475	Unliquidated budget commitments[a]	11 532 787
1 471 339	Goods in transit and purchase orders	1 050 290
169 500	Provision for carry-forwards[b]	4 608 503
9 433 314	**Total**	**17 191 580**

[a] The provision for unliquidated budget commitments is in respect of procurement of goods and services that were not received during the financial period. The provisions for unliquidated budget commitments for non-regular budget funds as at 31 December 2003 were $41,920,293 (2001: $43,628,585).

[b] The provision for carry-forwards is in respect of expenditure budgeted in the financial period for which justification has been given that the items are charged to the current year's expenditure.

Note 17
Prior-year adjustments

As shown in statement 5, prior-year adjustments represent charges and write-backs of provisions and liabilities related to the previous biennium.

Note 18
Reserve for exchange losses

Under the provisions of the Agency's Financial Regulations, a reserve of $10 million has been established by utilizing the extraordinary exchange gains realized during the biennium to protect the Agency from future loss.

Note 19
Commitments and contingent liabilities

As at 31 December 2003, the Agency's annual commitments under lease/rental agreements executed with various parties amounted to $1,270,731. A number of personnel appeals that could involve the payment of back wages and entitlements are pending with the respective appeals boards of the international and area staff as well as with the United Nations Administrative Tribunal. The contingent liabilities on those appeals amounted to approximately $1,082,419 as at 31 December 2003. The contingent liabilities for commercial contracts totalled approximately $2,066,791 as at 31 December 2003.

Note 20
Microfinance and microenterprise programme financial statements

Financial statements 1 to 3 include aggregate figures for the microfinance and microenterprise programme. For further details see section C below.

B. Appendices and annex to the financial statements

Appendix 1

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

REGULAR BUDGET EXPENDITURE
For The Biennium 2002-2003
(In USD)

Biennium 2000-2001	Programme	Cash	In-Kind	Total
	Education Services			
10 845 877	**Education Planning & Management**	11 754 281	434 609	12 188 890
	General Education			
178 781 133	Elementary Education	192 149 275	2 260 893	194 390 168
109 112 104	Preparatory Education	121 575 499	972 939	122 548 437
1 944 762	Secondary Education	2 885 460	-	2 885 460
	Vocational & Prof. Training			
4 047 624	Gaza Vocational Training Center	4 069 465	46 323	4 115 789
3 841 500	Siblin Training Center	3 991 271	12 358	4 003 629
1 932 360	Damascus Vocational Training Center	2 133 719	16 975	2 150 695
3 828 833	Wadi Seir Training Center	3 953 507	30 943	3 984 450
2 335 199	Amman Training Center	2 356 914	20 165	2 377 078
3 130 869	Kalandia Vocational Training Center	3 141 748	22 851	3 164 600
2 168 183	Ramallah Men Training Center	2 400 601	28 829	2 429 430
3 962 467	Ramallah Women Training Center	3 986 401	31 993	4 018 394
1 868 687	Pre-Service Teacher Education	1 877 280	-	1 877 280
327 799 599	**Total, Education Services**	**356 255 420**	**3 878 878**	**360 134 298**
	Health Services			
5 260 282	**Health Administration**	4 944 238	610 950	5 555 188
	Medical Care Services			
2 958 044	Laboratory Services	3 580 504	3 649	3 584 153
35 518 667	Out-patient Services	37 886 598	1 056 441	38 943 039
4 485 096	Maternal and Child Health	4 462 117	182 563	4 644 680
5 773 102	Disease Prevention & Control	4 732 838	1 721 824	6 454 661
1 138 592	Physical Rehabilitation	1 228 266	-	1 228 266
3 244 082	Dental Care	3 671 548	-	3 671 548
848 877	School Health Services	837 675	-	837 675
14 124 234	General Hospitals	17 162 233	17 879	17 180 112
1 820 377	Qalqilia Hospital	1 818 219	94 635	1 912 854
	Environmental Sanitation			
216 689	Sewage and Drainage	184 152	-	184 152
16 183 925	Solid Waste Management	14 443 843	1 087	14 444 931
1 102 411	Water Supply	894 308	174	894 483

Appendix 1

Biennium 2000-2001	Programme	Cash	In-Kind	Total
6 627 443	**Supplementary Feeding**	11 836	5 503 849	5 515 685
263 614	Environmental Health Administration	85 193	-	85 193
36 387	Environmental Project Planning	11 759	-	11 759
334 741	Environmental Project Design	108 179	-	108 179
254 975	Environmental Project Implementation	82 401	-	82 401
100 191 537	**Total, Health Services**	**96 145 989**	**9 193 051**	**105 338 960**
	Relief and Social Services			
2 546 802	Relief Programme Management	2 544 446	-	2 544 446
	Relief Services			
44 603 185	Special Hardship Assistance	22 871 311	22 206 800	45 078 111
2 124 327	Eligibility & Registration of Palestine Refugees	2 309 568	-	2 309 568
28 948	Quality Control	21 363	33 526	54 889
1 827 254	Ration Distribution Costs	1 875 338	145 468	2 020 806
	Social Services			
543 564	Community Development	798 862	9 176	808 038
32 389	Skills Training	385	-	385
276 470	Youth Activities	242 507	1 467	243 974
1 168 961	Women-in-Development	1 079 346	19 323	1 098 669
1 022 109	Disability Programme	1 116 376	8 975	1 125 351
1 147 341	Poverty Alleviation	1 043 610	-	1 043 610
723 393	Rehabilitation Center for Visually Impaired, Gaza	647 514	24 385	671 900
1 074 184	General Protection & Emergency Services			
2 223	Income Generation Activities	37 077	-	37 077
57 121 148	**Total, Relief and Social Services**	**34 587 704**	**22 449 120**	**57 036 825**
	Technical & Operational Services			
-	Office of Director of Technical and Operational Services	296 518	-	296 518
	Procurement and Logistics			
4 914 686	Procurement and Logistics Administration	5 473 754	23 436	5 497 190
-	Information Systems Services	3 148 198	-	3 148 198
6 288 806	Purchase of Supplies for Inventory	1 408 730	557 552	1 966 282
3 780 387	Supply Warehousing	4 043 242	9 820	4 053 061
66 701	Maintenance of Generators & Pumps	58 677	-	58 677
2 054 676	Vehicle Maintenance	2 211 800	4 519	2 216 319
6 827 452	Passenger Transport	10 574 912	37 527	10 612 439
3 960 397	Freight Transport	4 172 431	48 788	4 221 219
(2 193 257)	Port Operations	(115 926)	-	(115 926)
90 799	Supply to ISD Activities	39 575	-	39 575
-	SWAN Project	901 914	-	901 914
5 697 072	**Engineering and Construction Services**	5 882 093	209	5 882 302
594	**Production Units**	(59 699)	-	(59 699)
3: 598 312	**Total, Technical & Operational Services**	**38 036 219**	**681 850**	**38 718 069**

Appendix 1

Biennium 2000-2001	Programme	Cash	In-Kind	Total
	Common Services			
	General Management			
4 953 286	Field Office Administration	6 227 806	-	6 227 806
2 920 355	Area Administration	3 245 883	295	3 246 178
1 459 428	Camp Services Administration	1 648 454	-	1 648 454
2 508 731	Agency Administration	3 152 332	-	3 152 332
981 193	Public Information	1 476 917	30	1 476 947
1 832 366	External Relations	2 191 023	-	2 191 023
583 225	Policy Analysis Unit	977 083	-	977 083
1 713 711	Internal & External Audit Services	1 474 697	-	1 474 697
1 938 534	Legal Services	2 223 525	-	2 223 525
-	Legal Assistance	651 902	-	651 902
4 016 622	Protective Services	4 377 540	-	4 377 540
186 558	Projects Unit	221 580	-	221 580
-	Operation Support Officers Programme	51 530	-	51 530
612 161	New York liaison Office	742 193	-	742 193
44 856	Cairo Office	39 682	-	39 682
79 036	Vienna Office (Closed in January 2002)	244 845	-	244 845
	Administration			
6 713 658	Administrative Services	8 211 832	1 880	8 213 712
602 746	Administration and HR Office	988 120	-	988 120
189 119	Compensation & Management Services	590 107	-	590 107
80 740	Staff Training and Development	113 153	-	113 153
9 808	Joint Appeals Board	4 450	-	4 450
6 488 871	Financial Services	8 994 190	2 000	8 996 190
288 740	Office of Director of Operational & Technical Services	-	-	-
-	Operations & Refugees Affairs Officers	289 337	-	289 337
278 403	Payroll Management	215 694	-	215 694
3 516 055	Personnel Services	4 694 255	-	4 694 255
805 703	New Finance System Project	339 906	-	339 906
3 534 217	Information Systems Division	-	-	-
137 810	New Information Systems Strategy	-	-	-
740 271	SWAN Project	-	-	-
(5 340 398)	Programme Support Cost	(12 954 822)	-	(12 954 822)
				-
41 875 804	**Total, Common Services**	**40 433 215**	**4 205**	**40 437 420**
558 496 400	**GRAND TOTAL**	**585 438 467**	**36 267 104**	**601 685 571**

Appendix 2

A/55/6/Add.1

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

EXPENDITURE BREAKDOWN
For The Biennium 2000-2001
(In US$)

Biennium 2000-2001	EXPENDITURE CATEGORY	REGULAR BUDGET FUNDS			NON-REGULAR BUDGET FUNDS			All Funds	MMP	Grand Total
		Cash	In-Kind	Total	Emergency Appeal	Projects	Total			
26 450 739	International Staff Costs	29 634 519	1 031 349	30 665 868	1 452 501	3 077 106	4 529 606	35 195 474		35 195 474
420 242 812	Area Staff Costs	441 163 194		441 163 194	35 154 981	4 847 266	41 002 247	482 165 441		482 165 441
96 102 228	Supplies	34 962 784	32 384 860	67 347 644	57 308 349	4 444 498	61 752 847	129 100 491		129 100 491
13 635 568	Premises	12 588 784	202 156	12 790 941	1 640 668	193 839	1 834 507	14 625 447		14 625 447
30 703 224	Equipment and Construction	11 642 570	461 119	12 103 689	33 824 933	17 990 981	51 815 914	63 919 603		63 919 603
37 446 654	Services	30 129 349	2 116 960	32 246 309	15 050 988	3 951 402	19 002 390	51 248 699		51 248 699
(5 340 398)	Programme Support Costs	(12 954 822)		(12 954 822)	10 090 247	2 601 479	12 691 726	(63 096)		(63 096)
37 701 147	Subsidies	23 622 567	10 660	23 633 227	25 446 884	2 397 305	27 844 189	51 477 416		51 477 416
(4 079 954)	Income Charged to Expenditure from other activities	(5 259 745)		(5 259 745)	(77 360)		(77 360)	(5 337 105)		(5 337 105)
(360 127)	Transfer of Expenditure	(70 733)		(70 733)		1 578	1 578	(69 155)		(69 155)
7 000 134	MMF Expenditure								4 043 385	4 043 385
43 628 585	Non-Regular Budget Commitments				4 070 225	(5 778 517)	(1 708 292)	(1 708 292)		(1 708 292)
703 330 612	**Total Expenditure**	**565 459 466**	**36 207 104**	**601 666 571**	**194 962 416**	**33 926 937**	**210 889 353**	**820 554 923**	**4 043 385**	**824 598 308**

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

STATEMENT OF INCOME, EXPENDITURE AND FUND BALANCES BY PROJECT
For The Biennium 2002-2003
(In USD)

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Regular Budget Funds						
GENERAL FUND - Cash Contributions	494 250 277	(479 460 697)	14 789 579	7 257 419	(4 227 363)	17 819 635
Other Income	20 837 150	-	20 837 150	1 478 364	288 142	22 603 657
Transfer to Reserve for Exchange Rate Fluctuations	-	-	-	-	-	(10 000 000)
GF Sub-total	515 087 427	(479 460 697)	35 626 730	8 735 784	(3 939 221)	30 423 292
Funded On-Going Activities:						
Funded by UNESCO	242 760	(198 445)	44 315	(44 845)	-	(330)
Funded by WHO	200 000	(192 648)	7 352	34 253	-	41 605
EU cash in lieu of food commodities	18 407 347	(17 114 671)	1 292 676	(530 336)	10 345	772 684
Operating costs of Gaza Training Centre, Gaza	985 222	(985 222)	-	-	-	-
Funded from PLO	57 829	(643 979)	(586 150)	311 483	512	(274 155)
Utilization of Japanese Interest	121 050	(100 366)	20 684	6 910	31 163	58 757
UNRWA's Education and Health Programmes funded by European Community	62 680 305	(62 183 617)	496 688	-	-	496 688
Budgeted Income & Expenditure of UNRWA Schools Voluntary Contributions	111 179	(103 147)	8 032	-	-	8 032
Hospitalization Cost in Gaza and West Bank and the Operating Costs of Qalqilia Hospital2	4 561 004	(4 561 004)	-	-	-	-
Production Units in Gaza	229	65 330	65 558	661 761	-	727 319
Funded On-Going Activities Sub-total	87 348 924	(85 997 769)	1 349 155	439 425	42 020	1 830 600

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2003	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Procurement of Medical Supplies for Gaza and West Bank (ECHO):						
Procurement of medical supplies in Gaza	-	-	-	(4 909)	4 909	-
Procurement of medical supplies in Lebanon	32 421	-	32 421	(33 299)	878	-
Procurement of medical supplies in Syria	-	-	-	(1 673)	1 673	-
Procurement of medical supplies in Jordan	8 979	-	8 979	(9 571)	592	-
Procurement of medical supplies in W/Bank	-	-	-	(4 186)	4 186	-
Procurement of Medical Supplies for Gaza and West Bank (ECHO) Sub-total	41 401	-	41 401	(53 639)	12 238	-
In-Kind:						
General Fund in-Kind	8 531 095	(8 531 095)	-	-	-	-
Japanese Contribution	8 945 182	(12 643 496)	(3 698 314)	7 265 247	-	3 566 933
Belgium Contribution	2 716 251	(2 609 981)	106 270	558 407	-	664 676
French Contribution for Flour	767 892	(1 034 649)	(266 758)	476 367	-	209 609
German Contribution	-	(349 899)	(349 899)	432 171	(82 272)	-
EC Contribution	9 743 106	(10 822 065)	(1 078 958)	(29 182)	21 417	(1 086 723)
Food Aid Contribution -UK	1 400 000	(215 919)	1 184 081	-	-	1 184 081
In-Kind Sub-total	32 103 527	(36 207 104)	(4 103 577)	8 702 950	(60 855)	4 538 518
TOTAL REGULAR BUDGET FUNDS	634 579 279	(601 665 571)	32 913 708	17 824 521	(3 945 818)	36 792 411
Non-Regular Budget Funds						
Emergency Appeal :						
Emergency Appeal - Cash :						
Flash Emergency Appeal - Medical Supplies	-	-	-	1 322	-	1 322
Flash Emergency Appeal - Medical Supplies	-	-	-	138	(138)	-
Flash Emergency Appeal "Assistance to Palestine Injuries"	-	(16 007)	(16 002)	16 055	(53)	-
Flash Emergency Appeal	-	(7 648)	(7 648)	7 773	(125)	-

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Flash Emergency Appeal	-	(18 280)	(18 280)	18 331	(51)	-
First Emergency Appeal - Medical Supplies, Equipment & Cash Assistance - Gaza and West Bank	-	-	-	194	-	194
Flash Emergency Appeal - Wheel Chairs for Disabled Persons	-	(74 733)	(74 733)	74 734	(1)	-
Flash Emergency Appeal - Emergency Assistance for X-Ray Diagnostic Service in Gaza	-	(80)	(80)	81	(1)	-
Flash Emergency Appeal - Computer/MIRS System for OPSO	-	(2 631)	(2 631)	2 636	(5)	-
Flash Emergency Appeal - Food Commodities	-	-	-	367	(367)	-
First Emergency Appeal - Food Aid	757 042	-	757 042	(757 042)	-	-
First Emergency Appeal - Food Commodities	-	(12 310)	(12 310)	12 309	1	-
First Emergency Appeal - Prosthetic Devices for Disabled	-	(126 991)	(126 991)	126 808	-	2 217
First Emergency Appeal - Food Aid	-	-	-	73	(73)	-
First Emergency Appeal - School Construction (Nuseirat)	-	(1 190 942)	(1 190 942)	1 232 484	-	41 542
First Emergency Appeal - Un-earmarked Contribution	-	(4 033 502)	(4 033 502)	4 357 479	2 407	326 384
Second Emergency Appeal - Food Commodities	-	(69 518)	(69 518)	72 404	(148)	2 738
Second Emergency Appeal	-	(1 043 167)	(1 043 167)	1 050 373	-	7 206
Second Emergency Appeal	-	(2 332 029)	(2 332 029)	2 297 429	-	(34 600)
Second Emergency Appeal - Medical Supplies	-	(219 289)	(219 289)	324 844	(105 555)	-
Second Emergency Appeal - Post-injury Physical Rehabilitation	182 932	(812 357)	(629 425)	675 639	(44 022)	2 192
Second Emergency Appeal - Pavement of Alleyways (Job Creation Programme)	-	(318 392)	(318 392)	318 444	-	52
Emergency Appeal, Unearmarked February 2001	-	(1 652 560)	(1 652 560)	1 481 880	207 193	46 513
Third Emergency Appeal - Job Creation Programme (Salaries)	-	(1 281)	(1 281)	1 282	(1)	-
Third Emergency Appeal - Cash Assistance - Gaza	-	(3 554)	(3 554)	3 560	(6)	-
Third Emergency Appeal - Job Creation Programme in West Bank	-	(88 291)	(88 291)	88 295	(4)	-
Third Emergency Contribution, Unearmarked	532 745	(12 893 750)	(12 361 005)	14 247 428	(316 049)	1 570 374
Second Emergency Appeal - Construction of Additional Classrooms at Biddo Basic Girls School	-	(160 368)	(160 368)	166 284	-	5 916
Second Emergency Appeal - Construction of Additional Classrooms at Jenin Basic Girls School	-	(156 656)	(156 656)	187 072	-	30 416
Second Emergency Appeal - Classrooms Construction at Balata Girls School	-	(85 452)	(85 452)	102 578	-	17 126

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Second Emergency Appeal - Classrooms Construction at Askar Girls School	-	(134 235)	(134 235)	148 086	3 913	17 764
Emergency Food Aid - 3rd Appeal	861 600	(497 395)	364 205	(436 705)	72 500	-
Job Creation Programme - 3rd Appeal	-	(275 008)	(275 008)	281 690	-	6 682
Food Aid, Medical & Educational Services, Job Creation & Cash Assistance	-	(4 821 666)	(4 821 666)	4 911 744	-	90 078
Rehousing of Refugees' Shelters Damaged in Rafah	-	(682 594)	(682 594)	682 594	-	-
Emergency Humanitarian Assistance to Refugees in Gaza & West Bank, but not for food aid	6 363 639	(7 706 753)	(1 343 114)	1 327 028	-	(16 086)
Construction & Equipping of Additional Blocks at Fara Girls School	564 240	(564 237)	3	-	(3)	-
Construction and Equipping of Additional Blocks at Ein-Sultan Co-education School	279 300	(279 299)	1	-	(1)	-
Upgrading and Equipping of Qalqilia Health Centre	102 099	(95 015)	7 084	-	-	7 084
Construction of Distribution Centre at Aqbat Jaber Camp	39 284	(29 847)	9 437	-	-	9 437
Construction and Equipping of Additional Blocks at Jenin Boys School	268 970	(268 967)	3	-	(3)	-
Construction of Distribution Centre at Aida Camp	20 740	(20 625)	115	-	-	115
Construction and Equipping of Additional Blocks at Arroub Girls School	361 728	(361 727)	1	-	(1)	-
Emergency Food Aid - 3rd Appeal	6 815 565	(6 303 560)	512 005	-	(512 005)	-
Emergency Food Assistance - 3rd Appeal	-	(1 030 537)	(1 030 537)	962 261	68 276	-
Rehabilitation of Palestine Refugees' Shelters - Gaza	130 260	(599 672)	(469 412)	498 664	(29 252)	-
Self-help Shelter Rehabilitation -West Bank	106 838	(439 941)	(333 103)	356 189	(23 086)	-
Emergency Medical Supplies	-	(432 367)	(432 367)	455 291	(22 924)	-
Construction and Equipping of Additional Rooms at Bir Zeit Girls School - 2nd Emergency Appeal	-	(446 483)	(446 483)	478 778	-	32 295
Construction and Equipping of Additional Rooms at Jenin Basic Girls School - 2nd Emergency Appeal	-	(81 659)	(81 659)	213 026	(108 550)	22 817
Construction and Equipping of Classrooms at Hebron Boys School - 2nd Emergency Appeal	-	(83 240)	(83 240)	89 888	-	6 648
Construction and Equipping of Classrooms at Ramallah Men Training Centre - 2nd Emergency Appeal	-	(190 118)	(190 118)	212 005	-	21 887
Construction and Equipping of Classrooms at Ramallah Women Training Centre - 2nd Emergency Appeal	-	(255 366)	(255 366)	308 314	(45 564)	7 384

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Construction and Equipping of Jabalia Elementary A and E Boys School	-	(772 497)	(772 497)	772 686	-	189
Construction and Equipping of Jabalia Preparatory B Girls School	-	(855 805)	(855 805)	856 270	-	465
Construction of Additional Classrooms at Biddo Basic Girls School - 2nd Emergency Appeal	-	(101 617)	(101 617)	117 038	(9 149)	6 270
Construction of Additional Classrooms at Balata Girls School - 2nd Emergency Appeal	-	(363 779)	(363 779)	388 996	-	25 217
Construction of Additional Classrooms at Askar Girls School	-	(861 501)	(861 501)	940 281	(27 380)	51 400
Construction and Equipping of Classrooms at Hebron Boys School	-	(238 178)	(238 178)	298 201	(18 987)	41 036
Construction and Equipping of Classrooms at Ramallah Men Training Centre - 2nd Emergency Appeal	-	(60 274)	(60 274)	66 311	-	6 037
Construction and Equipping of Additional Blocks at Arroub Girls School -3rd Appeal	232 466	(169 107)	63 358	-	-	63 358
Distribution Costs of MT 8,030 of Flour for Gaza and West Bank - 3rd Appeal	-	(882 381)	(882 381)	1 047 600	-	165 219
Trauma Counseling of Children Affected by Violence in Gaza and West Bank - 3rd Appeal	-	(49 691)	(49 691)	50 000	-	309
Unearmarked Contributions - Educational Assistance for Students - 3rd Appeal	52 500	(52 500)	-	-	-	-
Unearmaked Contributions - Job Creation Programme- 3rd Appeal	302 524	(261 996)	40 529	-	-	40 529
Rafah Rehousing of Families Made Homeless on 10th January 2002 -	326 087	(326 086)	1	-	(1)	-
Rehousing of Refugees whose Shelters were Demolished in Gaza Strip	1 213 503	(1 200 348)	13 154	-	(13 154)	-
2002 Emergency Appeal	142 684	(126 263)	16 821	-	-	16 821
Cash Assistance for Gaza and West Bank	269 943	(267 001)	2 942	-	-	2 942
Emergency Food Aid to Gaza Strip under The Third Emergency Appeal	-	(688 882)	(688 882)	690 213	-	1 330
Various activities in Gaza - Second Emergency Appeal	-	(1 713 254)	(1 713 254)	1 713 260	(6)	-
Cash Assistance in Gaza - 2002 Emergency Appeal	17 600	(16 973)	627	-	-	627
Repair/Reconstruction of Shelters and Selective Cash Assistance in West Bank	434 783	(434 774)	8	-	(8)	-
Selective Cash Assistance and Repair/Reconstruction of Damaged Shelters for Gaza and West Bank	662 174	(662 172)	2	-	(2)	-

Appendix J

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Community-based Activities in West Bank	985 160	(931 571)	53 589	-	(53 589)	-
2002 Emergency Appeal	1 264 856	(1 244 497)	20 360	-	-	20 360
Emergency Needs in the West Bank	652 174	(651 931)	243	-	-	243
Various Activities in Gaza and West Bank - 2002 Emergency Appeal	945 260	(941 931)	3 329	-	-	3 329
Food and Medicine for Gaza and West Bank - 2002 Emergency Appeal	250 000	(249 025)	975	-	-	975
Un-earmarked Contributions - 2002 4th Appeal	16 937 612	(13 346 369)	3 991 243	-	-	3 991 243
Support to Emergency Appeal, Gaza and West Bank	1 941 748	(1 736 792)	204 956	-	-	204 956
Emergency Humanitarian Assistance to Palestine Refugees in Gaza and West Bank	10 000 000	(9 999 446)	554	-	-	554
UNRWA's 2002 Emergency Appeal in Gaza and West Bank - Emergency Health Programme	343 474	(316 528)	26 946	-	-	26 946
UNRWA 2002 Emergency Appeal in the Gaza Strip and West bank-Emergency Shelter Repair and Reconstruction	343 474	(341 414)	2 060	-	-	2 060
Various Activities in Gaza and West Bank towards 2002 Emergency Appeal	20 000 000	(19 164 087)	835 913	-	-	835 913
Re-housing of Refugees whose shelters were demolished in the Gaza strip	659 842	(659 838)	4	-	(4)	-
Environmental Health and Waste Management	453 479	(472 424)	(18 945)	-	-	(18 945)
Emergency Aid for Medical and Cash Assistance	8 729	(8 728)	(1)	-	1	-
Rehousing of Refugees whose Shelters were Demolished in Rafah, Gaza Strip	1 565 909	(1 532 663)	33 246	-	-	33 246
Construction and Equipping of 4 Additional Classrooms & 3 Specialized Rooms at Qalqilia Girls School	477 488	(315 020)	162 468	-	-	162 468
Un-earmarked Contributions for 2002 Emergency Appeal to be used for Jenin Camp	1 066 982	(354 730)	712 252	-	-	712 252
Construction and Equipping of 4 Additional Classrooms & 3 Specialized Rooms at Aqbat Jaber Co-Education School	457 270	(364 600)	92 670	-	-	92 670
Direct Hire of Labour for Short-Term (3 months) Jobs to work under UNRWA's Emergency Employment Creation in Gaza Strip to Provide Education, Health and Relief Services	1 167 993	(1 167 993)	-	-	-	-
Emergency Appeal Earmarked for 5 of UNRWA's Health Centre in West Bank in Askar, Balata, Dheisheh, Tulkarem and Aida Camps	99 982	(99 981)	1	-	(1)	-
Transportation Costs and Clearance of donated items (IR117)	3 000	(3 000)	-	-	-	-

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
UNRWA's 2002 Emergency Appeal * UN-Earmarked Contribution to be used to Charge The Supplementary Cost of Decentralizing the Operations at West Bank Field Office & Equipping The Area\Sub-Area Office to Facilitate The Work	346 392	(796 608)	(450 216)	-	-	(450 216)
Re-housing Project (Damaged Shelters) - UNRWA's Third Emergency Appeal	-	(176 666)	(176 666)	-	291 042	114 376
UNRWA's Third Emergency Appeal Other Emergency Operations Support & Logistics	-	(23 127)	(23 127)	-	23 127	-
UNRWA's 2002 Emergency Appeal Educational Institutions of UNRWA in a Refugee Camp	35 000	(664)	34 336	-	-	34 336
UNRWA's Third Emergency Appeal Reconstruction, Equipping and Furnishing of Kalandia Health Centre, West Bank	228 655	(193 283)	35 372	-	-	35 372
UNRWA's Third Emergency Appeal Reconstruction, Equipping and Furnishing of Askar Health Centre, West Bank	252 528	(172 796)	79 732	-	-	79 732
UNRWA's 2002 Emergency Appeal to Provide Emergency Commodities and Supplies, Gaza and west Bank	100 000	(100 000)	-	-	-	-
UNRWA's 2002 Emergency Appeal to Procure Food and Medical Supplies, Gaza Strip and West Bank	294 406	(292 757)	1 649	-	-	1 649
Cash Subsidies from Jordan Field Staff Members to 2002 Emergency Appeal in Gaza and West Bank	112 071	(111 634)	437	-	-	437
2002 Emergency Appeal, Assistance to Families in Jenin Camp, West Bank	25 000	(24 994)	6	-	(6)	-
2002 Emergency Appeal, Food Aid to Palestine Refugees	1 476 378	(1 476 375)	3	-	(3)	-
UNRWA's 2002 Emergency Appeal, Emergency Medical Supplies for West Bank	206 404	(206 404)	-	-	-	-
2002 Emergency Appeal	12 410	(11 841)	569	-	-	569
2002 Emergency Appeal for Gaza and West Bank	1 075 268	(1 064 868)	10 399	-	-	10 399
UNRWA's 2002 Emergency Appeal for AGFUND Initiative for Assistance to The Palestinian People Emergency Drugs and First Aid Material	119 000	(209 997)	(90 997)	-	-	(90 997)
UNRWA's 2002 Emergency Appeal for AGFUND Initiative for Assistance to The Palestinian People Physiotherapy Equipment and Material	50 000	(50 001)	(1)	-	1	-
UNRWA's 2002 Emergency Appeal for Medical Supplies	200 000	(196 635)	3 365	-	-	3 365
UNRWA's 2002 Emergency Appeal for Mobile Clinical Services	546 525	(533 826)	12 699	-	-	12 699
UNRWA's 2002 Emergency Appeal - In Kind Assistance to Poor Schoolchildren	983 281	(977 179)	6 101	-	-	6 101

B

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
UNRWA's 2002 Emergency Appeal for "Cash Assistance for Needy Families	983	(933)	50	-	-	50
UNRWA's 2002 Emergency Appeal for Food Aid Component	13 423	(7 427)	5 996	-	-	5 996
UNRWA's 2002 Emergency Appeal Earmarked towards "Janin Camp Rehabilitation" - Phase I	11 844 031	(5 984 816)	5 859 215	-	-	5 859 215
UNRWA's 2002 Emergency Appeal	198 216	(198 216)	-	-	-	-
Emergency Shelter Supplies for UNRWA - Gaza Field	147 483	(147 483)	-	-	-	-
Emergency Small Construction Project for UNRWA Schools-Gaza Field	93 412	(93 412)	-	-	-	-
Emergency Food Aid in The Gaza Strip	737 483	(737 304)	159	-	(1)	158
UNRWA's Third Emergency Appeal "Community Works in Camps and Villages - Job Creation Programme	1 303 608	(1 159 976)	143 632	-	-	143 632
UNRWA's Third Emergency Appeal "Emergency Food Distribution"	1 749 339	(1 732 493)	16 846	-	-	16 846
2002 Emergency Appeal "Reporting Officer at External Relations Department, HQ(G)	222 000	(11 341)	210 659	-	-	210 659
2002 Emergency Appeal (UNEARMARKED)	444 667	(444 010)	657	-	-	657
2002 Emergency Appeal "Khan Younis Rehousing Project"	900 000	(898 198)	1 802	-	-	1 802
2002 Emergency Appeal "Job Creation in Gaza"	460 944	(460 943)	1	-	(1)	-
2002 Emergency Appeal: To repair Damaged Shelters in Gaza	10 000	(9 998)	2	-	(2)	-
2003 Emergency Appeal: To Repair Damaged Shelters in Gaza	55 327	(55 287)	40	-	-	40
Financial Aid to Registered Palestine Refugee Families	35 000	(24 997)	10 003	-	(3)	10 000
Tuition Assistance to Palestine Refugee Students	15 000	(5 000)	10 000	-	-	10 000
Construction, Furnishing and Equipping of Basic Boys' School at Nur-Shams Camp, West Bank	1 331 340	(777 075)	554 265	-	-	554 265
2002 Emergency Appeal "Emergency Food Distribution"	602 000	(601 997)	3	-	(3)	-
2002 Emergency Appeal "Rehabilitation of Palestine Refugee Shelters in the Gaza Strip"	1 074 110	(241 255)	832 855	-	-	832 855
Rehousing of Refugees whose shelters were demolished in Khan Younis, Gaza - Funded from Savings under Japanese 1993 Project	195 134	(448 361)	(253 228)	-	398 464	145 237
5th Emergency Appeal: January - June 2003	59 642	(59 633)	9	-	-	9
5th Emergency Appeal: January - June 2003	50 590	(9 333)	41 257	-	-	41 257
5th Emergency Appeal: January - June 2003	671 050	(599 141)	71 910	-	-	71 910

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
5th Emergency Appeal: January - June 2003	3 305 785	(2 662 326)	643 459	-	-	643 459
Fifth Emergency Appeal : January - June 2003	15 000 000	(12 842 202)	2 157 798	-	-	2 157 798
Fifth Emergency Appeal : Syrian Arab Popular Committee	689 029	(639 483)	59 546	-	-	59 546
Emergency Appeal	16 277	(14 936)	1 341	-	-	1 341
Emergency food aid in the West Bank	2 105 442	(2 348 684)	(243 242)	-	-	(243 242)
Emergency Food Aid in The Gaza Strip	2 966 358	(3 087 669)	(121 311)	-	-	(121 311)
Procurement of 6 Vehicles (Nissan Terranos) funded by OCHA	156 245	(153 977)	2 268	-	-	2 268
Fifth Emergency Appeal - 2003 Emergency Appeal (January - June 2003)- Emergency food Aid, Gaza and West Bank	1 140 251	(1 140 251)	(1)	-	1	-
Fifth Emergency Appeal - 2003, Emergency Medical Supplies for the Gaza Strip	176 056	(18 864)	157 192	-	-	157 192
5th Emergency Appeal: January - June 2003	7 072 597	(5 506 345)	1 566 252	-	-	1 566 252
Sixth Emergency Appeal July - December 2003	32 112	(4 983)	27 129	-	-	27 129
Sixth Emergency Appeal July - December 2003 Cash assistance to families most in need in the Gaza Strip	133 070	-	133 070	-	-	133 070
Sixth Emergency Appeal: July - December 2003	26 000 000	(6 760 494)	19 239 506	-	-	19 239 506
Sixth Emergency Appeal: July-Dec 2003 VAT Refunds from PA from Contributions to pervious Emergency Appeals2	1 452 837	(1 218 401)	234 436	-	-	234 436
Emergency Food Aid for the Gaza Strip	457 143	(457 143)	-	-	-	-
Emergency Appeal (July - December)	356 295	(207 720)	148 575	-	-	148 575
2003 Emergency Appeal (July - December 2003)	5 000 000	(17 480)	4 982 520	-	-	4 982 520
Sixth Emergency Appeal July - December 2003	10 256 472	(2 077 367)	8 179 105	-	-	8 179 105
Rehousing Programme in Gaza to help homeless families in Rafah	1 414 427	-	1 414 427	-	-	1 414 427
Emergency cash assistance of $300 for up to 250 affected families in Rafah	75 000	(75 000)	-	-	-	-
Emergency Food Aid for the Gaza Strip	950 119	(950 119)	-	-	-	-
Sixth Emergency Appeal (July - December 2003) - Emergency medical supplies, Gaza	296 912	(7 759)	289 153	-	-	289 153
Providing a portable doppler foetal monitor and Portable haemoglobinnometer for UNRWA's Emergency Mobile Clinic operating in the Palestinian Enclaves in the West Bank	1 632	-	1 632	-	-	1 632
Improvement of Health Infrastructure in the West Bank	252 738	-	252 738	-	-	252 738
Home Demolition, Gaza	10 000	-	10 000	-	-	10 000

A/59/443

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
2004 Emergency Appeal	1 187 648	-	1 187 648	-	-	1 187 648
To Cover the Services of SRSA Team From 1 November 2003 to 31 December 2003	167 146	-	167 146	-	-	167 146
Sixth Emergency appeal (July - December 2003)	1 138 680	-	1 138 680	-	-	1 138 680
Transfer of fund balances against previous contributions - Gaza Field	-	-	-	-	78	78
Transfer of Fund Balances against Previous Contributions, West Bank	-	-	-	-	421	421
Confirmed Pledges and Hard Commitments	(1 365 643)	(4 070 225)	(5 435 868)	5 512 010	-	76 142
Emergency Appeal - Cash Sub-total	189 387 404	(180 476 682)	8 910 722	49 044 979	(272 765)	57 682 936
Emergency Appeal - In-Kind :						
Flash Emergency Appeal - Medical Supplies/Equipment & Hospital Services - West Bank	-	-	-	27	(27)	-
Distribution Costs of MT 8,030 of Flour for Gaza and W/Bank - 3rd Appeal	2 209 526	(2 209 526)	-	-	-	-
800 family-size tents, water purification unit to furnish portable water for up to 10,000 people per day, 1,600 five-gallon containers and 1,600 hygiene kits for Jenin	185 212	(185 212)	-	-	-	-
In-kind contributions received from various NGO's2	655 696	(655 696)	-	-	-	-
2002 Emergency Appeal, Emergency Health Kits, Gaza & West Bank	480 000	(480 000)	-	-	-	-
Purchase of Medical Supplies, Financial Aid to Registered Palestine Refugees Families and Tuition Assistance to Refugees Students	10 000	(10 000)	-	-	-	-
Donation of 34,000 4-Liter containers of Olive Oil	393 115	(393 115)	-	-	-	-
UNRWA's 2003 Emergency Appeal in the Gaza Strip and the West Bank	368 254	(368 254)	-	-	-	-
2003 Emergency Appeal July-December 2003 - Various in-kind donations received toward the EA	183 931	(183 931)	-	-	-	-
Emergency Appeal In-Kind Sub-total	4 485 734	(4 485 734)	-	27	(27)	-
Emergency Appeal Total	193 873 138	(184 962 416)	8 910 722	49 045 006	(272 792)	57 682 936

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Projects :						
Post 1999 Projects :						
Cost of Financial Management System	1 542 736	(1 369 607)	173 129	(105 828)	-	67 301
Training of Procurement Staff	-	(12 144)	(12 144)	12 144	-	-
Training of Engineering Staff	-	-	-	6 586	-	6 586
Procurement Workshop for Senior Management Staff	-	(4 957)	(4 957)	4 957	(1)	-
Improving Access to Hospital Services provided to Palestine refugees in Lebanon	-	(25 513)	(25 513)	25 513	-	-
Shelter Rehabilitation	155 005	-	155 005	(106 827)	(48 178)	-
Computer and Information Technology Initiative	-	(99 624)	(99 624)	197 059	(60 000)	37 435
UNRWA's Education Management Information System	-	(139 147)	(139 147)	168 314	-	29 166
Training of UNRWA Health Care Staff - Agency Wide	-	(55 789)	(55 789)	239 574	(183 785)	-
Shelter Rehabilitation - Agency wide	-	(147 461)	(147 461)	180 257	-	32 796
Running Costs of the Existing 4 Kindergartens in Lebanon	109 123	(103 267)	5 856	718	-	6 573
Junior Professional Officer; Frank Schipper	-	-	-	9 453	-	9 453
Equipment of Industrial Electronic Course at Ramallah Men Training Centre	-	(2 073)	(2 073)	11 101	-	9 028
P3 Safety Biology Laboratory at Central Public Health	-	(90 026)	(90 026)	127 647	-	37 621
UNRWA's Liaison Office in Geneva	569 385	(642 011)	(72 626)	87 731	-	15 105
Second Year, Junior Professional Officer, Philippe Grandit, External Relations and Project Officer	-	(5 452)	(5 452)	9 957	(4 505)	-
Construction and Equipping of Maghazi Preparatory School	-	(735 672)	(735 672)	826 446	-	90 773
Construction and Equipping of Jabalia Preparatory C Elementary E Girls School	561 222	(817 012)	(255 790)	304 475	-	48 684
Construction and Equipping of Farabi Elementary Co-education School	418 487	(642 086)	(223 599)	336 706	-	113 107
Construction and Equipping of 10 Classrooms and 2 Specialized Rooms at Kalandia Boys School	227 831	(340 754)	(112 923)	108 039	-	(4 884)
Construction and Equipping of 9 Classrooms & Specialized Rooms at Sourif Girls School	245 295	(337 749)	(92 454)	118 918	-	26 464
Project Manager for Family Files- Refugees Registration Information System	-	(87 538)	(87 538)	106 058	-	18 520
Construction and Equipping of 9 Classrooms & 2 Specialized Rooms at Jenin Preparatory Girls School	-	(11 023)	(11 023)	11 023	-	-

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Junior Professional Officer; Elna Seondergaard - Legal	92 740	(98 920)	(6 180)	23 973	-	17 793
Junior Professional Officer, Marlene Arce Camp - Public Information and Project Officer	196 332	(178 349)	17 983	43 966	-	61 949
Construction and Equipping of 4 additional classrooms at Gaza elementary A and B Co-education School	-	(54 969)	(54 969)	54 990	(1)	-
Establishing of French Teacher Training Section a Siblin Training Centre	-	(46 252)	(46 252)	87 076	-	40 824
Construction of Sewerage and Drainage System at Deir El-Balah; Phase II Stage I; E1	3 668	-	3 668	(3 668)	-	-
Construction and furnishing of 9 Classrooms at two UNRWA Preparatory Schools	-	(27 979)	(27 979)	48 778	-	20 798
Reconstruction of Jenin Health Centre - West Bank	-	(10 706)	(10 706)	45 846	-	35 140
Construction and Equipping of Abu Tuaima Elementary Co-education School	588 828	(316 071)	272 757	(370 204)	-	(97 447)
Construction and Equipping of Khan Younis Preparatory C Girls School	729 704	(520 206)	209 497	(189 211)	-	20 286
Shelter Rehabilitation - Gaza	497 242	(168 823)	328 418	(1 021 536)	-	(693 117)
Reconstruction of Dheisheh Boys School	992 151	(222 909)	769 243	(661 764)	-	107 479
Reconstruction of Auja Co-education School	675 564	(54 268)	621 297	(501 618)	-	119 678
Replacement of Balata Health Centre	157 517	(6 794)	150 723	(117 892)	-	32 831
Replacement of Dheisheh Health Centre	161 769	(43 635)	118 134	(120 583)	-	(2 450)
Construction and Equipping of 4 Additional Classrooms and 3 specialised rooms at Doura Girls School	234 452	(51 919)	182 532	(160 475)	-	22 057
Construction and Equipping of 5 Additional Classrooms and 4 specialised Rooms at Doura Boys School	232 968	(84 962)	148 006	(149 392)	66	(1 321)
Furnishing and Equipping of the Alliance Health Centre in Damascus	-	-	-	8 452	-	8 452
English Text Books for the students at the Damascus Training Centre	-	-	-	2	(2)	-
Expansion of Irbid Health Centre	-	-	-	1 116	-	1 116
Upgrading and Mechanization of Solid Waste Collection and Removal from Jabalia and the Middle Camps	33 798	(588 103)	(554 305)	601 234	-	46 929
Reconstruction of Science Laboratory/Learning Resource Centre at Safsaf Elementary/Tiberias Preparatory Boys School	-	(431)	(431)	25 052	-	24 621
Construction and Equipping Beit Jala and Bir Zeit Co-education School in Saida Area	305 006	(369 531)	(64 525)	35 873	-	(28 652)

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Dera'a - Reconstruction of the Dera'a Children rehabilitation Centre	-	-	-	(36 030)	-	(36 030)
Repatriation of Residents of Canada Camp	-	(57 750)	(57 750)	57 827	(77)	-
Infrastructure Services	19 433	(554 035)	(534 602)	544 466	(9 864)	-
Scholarship Fund for Palestine Refugee Women in Lebanon	705 107	(699 828)	5 279	109 568	-	114 846
Major Dental Equipment for Zarka & Baqa'a Health Centre	-	-	-	8 410	-	8 410
Dental Instruments for Zarka & Baqa'a Health Centre	-	(1 069)	(1 069)	(7 233)	-	(8 303)
Construction of 8 Underground Water Tanks	-	(4 966)	(4 966)	4 966	-	-
Feasibility Study for: Rehabilitation at Neirab Camp and Developing E/Tal Camp	-	(62 215)	(62 215)	62 226	(11)	-
Psychological Counseling Project	772 386	(1 035 754)	(263 368)	874 106	-	610 738
Slow Learner Programme in Jordan	2 964	(111 805)	(108 841)	125 232	-	16 391
Conversion of Ein El-Hilweh Mother and Child Health Sub-Center to Health Centre in Lebanon	4 656	(198 007)	(193 351)	200 000	-	6 649
Improvement of Environmental Health Conditions Pathways/Drains in Refugee Camps on Self-help Basis in Lebanon	2 607	(111 251)	(108 644)	112 000	-	3 356
Hiring a Consultant for UNRWA's External Relations Department	54 864	(61 779)	(6 915)	7 878	-	963
Junior Professional Officer, Ms. Nicole Ruder, Projects Officer, Lebanon	81 185	(130 863)	(49 678)	64 316	-	14 639
Improving Access to Hospital Care Palestine Refugees in Lebanon	-	(3 557)	(3 557)	3 559	(2)	-
Junior Professional Officer Projects Officer at External Relations Department	127 644	(165 706)	(38 062)	70 550	(17 215)	15 272
Upgraded Response Access; One Legal Officer and One Admin. Officer	-	(64 745)	(64 745)	70 385	-	5 640
Shelter Rehabilitation - Lebanon	197 670	(841 775)	(644 105)	671 228	(27 124)	-
Shelter Rehabilitation - Syria	115 530	(189 836)	(74 306)	152 068	(77 763)	-
Shelter Rehabilitation - Jordan	108 513	(414 647)	(306 134)	327 772	(21 638)	-
Construction and Equipping of Wadi Rayyan Preparatory Boys & Girls School	-	(537 588)	(537 588)	594 300	(23 279)	33 433
Establishing of a Health Point Centre at Kraymeh	-	(150 043)	(150 043)	149 999	1 529	1 485
Establishing of a Health Point Centre at Masharie	-	(177 690)	(177 690)	161 616	21 750	5 676
Neirab Rehabilitation Project - Phase I: Construction of 39 of an Initial 148 Housing Units in Ein el Tal Camp	-	(482 188)	(482 188)	524 000	-	41 812

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Micro-credit & Poverty Alleviation II;	-	(311 453)	(311 453)	436 000	(100 000)	24 547
Human Resources Development	-	(182 442)	(182 442)	195 500	-	13 058
Upgrading/Replacement of Equipment at the 8 Vocational Training Centres	-	(239 295)	(239 295)	262 500	-	23 205
Computer Information and Technology Initiative Phase IV	-	(370 459)	(370 459)	538 085	(82 021)	85 605
Development of English Language Ability English for Empowerment for Instructors & Trainers at Vocational Training Centres	-	(64 886)	(64 886)	106 000	-	41 114
Extension of Promoting Tolerance; Conflict Resolution & Basic Human Rights in Gaza Strip & West Bank	-	(192 323)	(192 323)	332 000	-	139 677
Slow Learner Programme in Jordan	1 411	(44 492)	(43 081)	37 083	-	(5 999)
Construction and Equipping Additional Classrooms at Jenin Girls School	40 000	(92 637)	(52 637)	-	-	(52 637)
Nursing Courses for Palestine Refugees in Lebanon	-	(23 293)	(23 293)	23 293	-	-
Hospitalization Services in Lebanon	150 000	-	150 000	(150 000)	-	-
Improvement of Home Economics Unit at Rafah Preparatory A Girls School	93 000	(49 737)	43 263	(11 375)	-	31 888
Development of Library at Rimal Preparatory Girls & Gaza Elementary C co-education School	76 200	(51 569)	24 631	(3 476)	-	21 155
Construction of Physiotherapy Unit at Rafah Health Center	45 526	(27 496)	18 030	(4 878)	-	13 152
Construction of Physiotherapy Unit at Khan Younis Health Center	45 526	(28 933)	16 593	(4 878)	-	11 715
Cost of Immuno-Suppressant Medications needed by persons who have received kidney transplants	123 000	(96 802)	26 198	-	-	26 198
School Construction and Expansion Programme in Lebanon	445 972	(293 866)	152 106	-	-	152 106
Integration of Visually Impaired children	29 548	(16 396)	13 152	-	-	13 152
Junior Professional Officer Post of "Information Officer" in the Public Information Office, Headquarter (Gaza)	228 407	(190 961)	37 446	-	-	37 446
Establishment of Rehabilitation Unit for Cerebral Palsy Cases at Jenin Rehabilitation Centre	12 000	(3 600)	8 400	-	-	8 400
Equipping and Furnishing the Toy Library at Balata Community Rehabilitation Centre	12 000	(3 600)	8 400	-	-	8 400
Animation Activities at Al-Rowwad of Aida Youth Activity Centre	24 000	-	24 000	-	-	24 000
Provision of School Furniture and Equipment for Jarash Elementary and Preparatory Boys School in Jordan	40 968	(38 830)	2 138	-	-	2 138
Extension of Nuzha Mother-Child Health Centre	74 821	(74 666)	155	-	-	155

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Environmental and Sanitation Project, Gaza Strip and West Bank Refugee Camps	10 593 986	(5 907 822)	4 686 163	-	-	4 686 163
Junior Professional Officer Position in UNRWA's Gaza Field Office Special Assistant to DUO/G and DOPs	107 123	(154 581)	(47 458)	-	-	(47 458)
Reconstruction of Ein el-Hilweh and Baddawi Health Centres in Lebanon	100 000	(99 901)	99	-	-	99
School Construction and Expansion Programme in Lebanon "Reconstruction and Equipping of Naqab Preparatory School, Rashidieh Camp"	542 561	(193 541)	349 019	-	-	349 019
Promoting Tolerance, Conflict Resolution and Basic Human Rights in UNRWA Schools in Jordan, Syria and Lebanon	465 500	(439 606)	25 894	-	-	25 894
Construction of Community Centre in Qabr Essit Camp, Syria	67 287	(65 574)	1 713	-	-	1 713
Junior Professional Officer Post of "Research Officer", in West Bank	103 662	(130 860)	(27 198)	-	5 575	(21 623)
Rehabilitation of Premises and Roads at Siblin Training Centre in Lebanon	-	(68 199)	(68 199)	-	68 479	280
Establishing of Banking and Financial Management Course at Damascus Training Centre, Syria	-	(28 852)	(28 852)	-	87 000	58 148
Renovation of Ashrfieh Girl's School No. 1 and 2, Jordan	-	(123 841)	(123 841)	-	123 852	11
Replacement of Dental Unit and Waiting Area at Ein El-Hilweh Health centre, Lebanon	25 000	(24 954)	46	-	-	46
Self-Help Pavement of Alleyways in Beach Refugees Camp, Gaza	-	(84 315)	(84 315)	-	85 621	1 306
Gravity Main Interceptor in Deir el-Balah, Gaza Strip	-	(444 444)	(444 444)	-	788 499	344 056
Humanitarian Aid for Palestinian Victims of the Humanitarian Crises in the Palestinian Territories, Lebanon, Jordan and Syria	797 635	(989 917)	(192 281)	-	-	(192 281)
Shelter Rehabilitation in Various Refugee Camps in Syria	472 906	(589 329)	(116 423)	-	-	(116 423)
Shelter Rehabilitation in Various Refugee Camps in Jordan	566 524	(583 427)	(16 903)	-	-	(16 903)
Operations Support Officer Programme in West bank and International Programme and Liaison Officer for the Gaza Strip	1 416 000	(1 228 401)	187 599	-	-	187 599
Income generation opportunity for the community centre in Shu'fat refugee camp Supplementary Arrangement to the Arrangement toward "Establishing of Community Centre at Shu'fat Camp"	17 099	-	17 099	-	6 789	23 888
Construction of a New UNRWA Preparatory Boys and Girls School at A-Husseinieh Syria (2 supplementary arrangements)	79 839	(346 273)	(266 434)	-	351 854	85 421

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Promoting Tolerance, Conflict Resolution and Basic Human Rights in UNRWA Schools (Production of Stories) in Jordan, Syria and Lebanon	125 000	(113 380)	11 620	-	-	11 620
Expansion of Al Husseinieh Health centre, Syria	143 000	(117 476)	25 524	-	-	25 524
Introduction of Clothing Technology Course at the Damascus Training Centre, Syria	263 000	(146 383)	116 617	-	-	116 617
Typing and Data Entry Course for Girls at the Siblin Training Centre, Lebanon	71 000	(63 225)	7 775	-	-	7 775
English Language Club at Damascus Training Centre, Syria	20 000	(11 144)	8 856	-	-	8 856
Installation of an Elevator for Disabled Students at Falouja Elementary School in Lebanon's Ein el-hilweh Camp	7 976	(7 672)	304	-	-	304
Costs Related to the Brainstorming Workshop in Beirut for RSSD Staff to be held in November 2002	15 999	(11 022)	4 977	-	-	4 977
Purchase-2 Drain Clearing Equipment for Sanitation Department in Syria	5 800	-	5 800	-	-	5 800
Procurement of hardware and software for developing the Special Education Programme for slow learning students in the elementary cycle at 9 centres at Irbid Area, Zarka Area, North Amman Area and South Amman Area	11 402	(12 111)	(709)	-	709	-
Construction and Furnishing of Canteen and up to fifteen classrooms at two UNRWA schools in Gaza Strip	20 722	(287 419)	(266 697)	-	269 105	2 408
Equipping and Furnishing of Two Toy Libraries at Two Community Rehabilitation Centres in the Gaza Strip	25 000	(23 559)	1 441	-	-	1 441
Enhancing the Agency's Public Information Office's Communication Capacity: Posts, Training and Equipment Needs	99 630	(51 112)	48 518	-	-	48 518
RSSD's Task force Meeting on 14 and 15 December 2002 to follow on the Strategic Planning Meeting	2 774	(2 774)	-	-	-	-
Provision of computers for the existing workshop at Sur Baher Girls' School	-	(21 850)	(21 850)	-	23 153	1 303
Provision of computers for the existing workshop at Qatanneh Girls' School	-	(27 535)	(27 535)	-	27 930	395
Comprehensive maintenance of schools and playground in Saida, Lebanon	-	(158 309)	(158 309)	-	158 309	-
Designing and construction of Nuseirat pumping station, Gaza	-	(9 743)	(9 743)	-	151 200	141 458
Construction and furnishing of up to eighteen additional classrooms at Bureij Preparatory Boy's School	-	(48 169)	(48 169)	-	391 231	343 062

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Construction of five additional classrooms and providing computers to the laboratory at Nimrin Preparatory School, Lebanon	-	(75 430)	(75 430)	-	75 682	252
Construction of Nuseirat pumping station, Gaza	-	-	-	-	875 000	875 000
Construction and Equipping of Jabalia Elementary C and Ayoubiya Boy's School	537 057	(547 317)	(10 260)	-	-	(10 260)
Mechanization of solid waste disposal, Jordan	-	-	-	-	54 401	54 401
Additional construction works at UNRWA's schools in Kalandia camp	-	(98 942)	(98 942)	-	-	(98 942)
Construction and furnishing of 4 classrooms at Nuseirat Elementary "B & D" Girls Schools in the Gaza Strip	-	(35 495)	(35 495)	-	-	(35 495)
Upgrade the Computer Laboratory at Ashrafieh Girls' school	-	(22 143)	(22 143)	-	24 245	2 102
Junior Professional Officer post: Procurement Officer, UNRWA Field Office, Gaza	81 606	(56 823)	24 783	-	-	24 783
Junior Professional Officer post: Logistics and System Analyst, Department of Operations and Technical Services UNRWA Headquarters Amman	60 573	(24 800)	35 773	-	-	35 773
Junior Professional Officer post: Policy Researcher Officer, Department of Relief and Social Services UNRWA Headquarters Amman	60 573	(31 160)	29 413	-	-	29 413
Junior Professional Officer post: Associate Expert (Research & Evaluation) Department of Education UNRWA Headquarters Amman	61 694	(29 552)	32 143	-	-	32 143
Junior Professional Officer post: Administration and Projects Officer UNRWA Field office Jordan	61 694	(25 906)	35 788	-	-	35 788
Construction of five classrooms and conversion of two old classrooms into two admin. rooms and furnishing of tree classrooms at Nuseirat Prep. "A" Girls' School	81 500	(19 988)	61 512	-	-	61 512
Introduction of computers to secondary schools in Palestinian camps in Syria	80 961	(80 961)	-	-	-	-
Water supply and sanitation in support of two Palestinian refugees camps Kan Danour / Khan Eshieh	1 641 961	(47 352)	1 594 609	-	-	1 594 609
Palestine Refugees Records Project	737 705	(218 867)	518 838	-	-	518 838
Human Rights Training for UNRWA Staff and other UN Staff in Syria	-	(893)	(893)	-	1 995	1 102
Human Rights Training for UNRWA Staff and other UN Staff in Syria	2 533	(1 764)	769	-	-	769

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Introduction of the 10th grade in UNRWA schools within Jerusalem Municipal Boundaries	86 766	(191)	86 576	-	-	86 576
Construction and equipping of 6 classrooms, 3 home economic units & 1 library at 3 schools in Gaza	311 511	(76 443)	235 069	-	-	235 069
Improvement of Basic School Furniture for Ashrafieh Prep. Girls School No 1&2, Jordan	27 836	(27 836)	-	-	-	-
Extension of South Baqa'a Medical Centre, Jordan	42 626	(24 822)	17 804	-	-	17 804
Nursing Courses for Palestine Refugees in Lebanon, 2002 - 2003	24 927	(24 927)	-	-	-	-
Provision of Medical Supplies in Jordan, Syria and Lebanon	1 409 505	(1 729 782)	(320 277)	-	-	(320 277)
Conduct 3 training courses in Anemia in children of pregnant women	-	(1 792)	(1 792)	-	-	(1 792)
Conduct 3 training courses in HIV/Aids, STD and reproductive health	-	(1 280)	(1 280)	-	-	(1 280)
UNRWA School Desks Project in Lebanon	133 660	(133 597)	63	-	-	63
Reconstruction and equipping of Beit Hanoun elementary "C" girls & "B" co-educational schools, Gaza	-	(2 408)	(2 408)	-	-	(2 408)
Reconstruction of Rimal Health Centre, Gaza	-	(2 666)	(2 666)	-	-	(2 666)
Construction of additional classrooms at Deir Ammar Boy's school, West Bank	-	(65 623)	(65 623)	-	-	(65 623)
Self-help shelter rehabilitation in the West Bank	-	(255 194)	(255 194)	-	-	(255 194)
Equipping and furnishing of a toy library at Jabalia Women's Training Centre, Gaza	1 667	-	1 667	-	-	1 667
JPO, Associated Expert (External Relations & Projects)	234 068	(44 751)	189 317	-	17 937	207 254
JPO, Projects, West Bank Field Office	234 068	(37 406)	196 662	-	21 746	218 408
Computer Information Technology Initiative, Use of unexpended balances under CITI Phases I-IV	-	(866)	(866)	-	197 021	196 155
Promoting Basic Human Rights, Conflict Resolution and Tolerance in UNRWA Schools for the school year 2003/2004	196 000	-	196 000	-	-	196 000
Operations Support Officer Programme, West Bank	826 622	(97 705)	728 917	-	-	728 917
Operations Support Officer Programme, Gaza Strip	356 000	-	356 000	-	-	356 000
Neirab Rehabilitation Projects - Phase I	500 000	(243)	499 757	-	-	499 757
Computer Information Technology Initiative (CITI) Phase V	609 000	(10 181)	598 819	-	-	598 819
Reconstruction and Equipping of Beddawi Health Centre in Lebanon	57 508	(387)	57 121	-	-	57 121
Reconstruction of the Sanitation Office in Nuseirat Camp	57 000	-	57 000	-	-	57 000

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Reconstruction of the Sanitation Office in Bureij Camp	47 000	-	47 000	-	-	47 000
Construction of a Physiotherapy Clinic at the Bureij Health Centre	50 573	(587)	49 986	-	-	49 986
Improve of school facilities at Mashare' Preparatory Boys and Girls School	50 372	-	50 372	-	-	50 372
UNESCO 2003-DE	30 000	(16 428)	13 572	-	-	13 572
Technical Assistance and Project Management Rehabilitation Neirab Camp, Syria	27 975	-	27 975	-	-	27 975
Conversion of Area Office Homes into Learning Resource Centre/Computer Laboratory, Syria	20 000	(7 788)	12 212	-	-	12 212
Development of Sport Activities, Purchase Equipment and Improve Local Sport Infrastructure in Refugee Camps (Ramallah and Jericho)	24 200	-	24 200	-	-	24 200
Development of UNRWA's Management Health Information System, Phase II	-	-	-	-	250 945	250 945
Establish of hearing impaired unit at Hussinyeh, Syria	5 998	(384)	5 614	-	-	5 614
Provision of Computer and Office Equipment for UNRWA Schools in Lebanon	598 219	-	598 219	-	-	598 219
Confirmed Pledges and Hard Commitments	(25 513 251)	5 778 517	(19 734 734)	18 782 452	-	(952 282)
Post 1999 Projects Total	12 389 893	(27 687 472)	(15 297 579)	25 751 547	3 426 160	13 880 127
Peace Implementation Programme :						
Equipment and Materials for Literacy Course at Women Programme Centres	-	-	-	223	-	223
Radiological Unit and Ultrasound Equipment for Khan Younis Health Centre	-	(10 367)	(10 367)	25 787	-	15 420
Health Education Programme for prevention of HIVI/AIDS - UNAIDS	-	(92)	(92)	4 864	-	4 772
Construction, Equipping & Furnishing Balata Elementary/Preparatory Boys School	-	-	-	9 157	(9 157)	-
Construction of Educational Facilities in Jordan	-	(2 427)	(2 427)	2 451	(271)	(247)
Expansion of Qalqilia Hospital in the West Bank	-	(903 945)	(903 945)	1 111 489	-	207 544
Construction and Equipping of Beach Elementary C and Asma Co-educational School	-	-	-	166 585	(166 585)	-

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Reconstruction and Equipping of Ashrafieh Preparatory Boys' School no. 1&2	-	-	-	143 501	(143 501)	-
Special Education Programme for Slow Learning Students in the Elementary Cycle Education	-	-	-	(2)	2	-
Provision of Textbooks/Library Books for School Children In West Bank	-	-	-	2 071	-	2 071
Construction and furnishing of New Gaza Preparatory Boys School	-	-	-	224 646	(224 646)	-
Construction and furnishing of Nimrin Preparatory school	-	(37 462)	(37 462)	113 172	(75 711)	-
Improvement of Computer Skills; Vocational Training Centre - Phase I	-	(8 893)	(8 893)	54 211	(43 780)	1 538
Improvement of Computer Skills; Vocational Training Centre - Phase II	-	(270 760)	(270 760)	325 493	(11 107)	43 625
Upgrading of a Carpentry and Furniture Making Course Workshop at Damascus Training Centre	-	(17 329)	(17 329)	30 858	-	13 529
Construction and Equipping of Rafah Elementary A Girls and E Co-education School	-	-	-	9 989	(9 989)	-
Construction and Equipping of Beach Preparatory A Girls School	-	-	-	6 213	(6 213)	-
Construction and Equipping of 6 Classrooms at Daraj; 4 Classrooms at D/Balah & 4 Classrooms at Maen Elementary Schools	-	-	-	3 005	(3 005)	-
Construction and Equipping of 4 Classrooms at Khuza'a and 4 Classrooms at Abasan Elementary Schools	-	-	-	2 718	(2 718)	-
Construction and Equipping of Home Economic Unit at Bani Suhaila Preparatory Girls School	-	-	-	2 861	(2 861)	-
Construction and Equipping of Handicraft Unit at Ahmad A/Aziz Preparatory Boys School	-	(106 659)	(106 659)	121 899	(15 240)	-
Construction and Equipping of Handicraft Unit at Bureij Preparatory Boys School	-	(114 507)	(114 507)	125 049	(10 542)	-
Construction and Equipping of 6 Classrooms at Bani Suhaila Preparatory Girls School	-	(87 327)	(87 327)	96 258	(8 932)	-
Headquarter Reserve Code for Future Use	-	-	-	169 379	(169 379)	-
Construction and Equipping of Ramallah Girls School	-	-	-	20 138	(20 138)	-
Construction and Equipping of Additional Classrooms, Library and Laboratory For D/Ammar Basic Girls School	-	-	-	20 085	(20 085)	-

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Provision of Epidemiological, Reproductive Health Counselling and Management Training	-	-	-	12 634	(12 634)	-
Construction & equipping of Homs CRC & Upgrading of Homs WPC	-	-	-	30	(30)	-
Reconstruction of Hama WPC and CRC -SAR	-	-	-	(40 876)	-	(40 876)
Remedial Educational program me for elementary school students	393	-	393	-	(393)	-
Mashierfeh - Expansion of Mashierfeh and South Baqa'a Health Center	-	-	-	6	(6)	-
Construction & Equip of Jabalia Prep. B Boys School	18 373	-	18 373	242 883	(261 256)	-
Khan Dannoun Health Center	-	-	-	113	-	113
Khan Dannoun & Khan Eshieh Water Network	-	-	-	11 369	-	11 369
Khan Dannoun Sewage Conveyer Line - Syria	-	-	-	(5 279)	5 279	-
Construction of Sanitary Facilities at Schools	6 230	-	6 230	(6 205)	(25)	-
Hospitalization Services for Palestine Refugee Patients in Lebanon	45 230	-	45 230	(49 225)	3 995	-
Shelter Rehabilitation - Jordan	16 204	-	16 204	(17 696)	1 492	-
Upgrading and Development of the Industrial Electronics courses; Gaza Training Centre	2 173	(21 748)	(19 575)	45 576	-	26 000
Educational Equipment, Special Textbooks and Teaching Aids for Blind and deaf pupils	-	(5 852)	(5 852)	5 867	(15)	-
Equipment for Gaza Training Centre	-	(358)	(358)	580	-	221
Al-Shauka Elementary Co-Educational School - Gaza	76 796	(2 783)	74 013	(26 893)	(47 120)	-
Replacement of the Nur Shams Girls School	100 717	(122)	100 595	(12 816)	(87 779)	-
Abu Dees Co-education School; Jerusalem	98 011	(2 835)	95 176	2 624	(97 800)	-
Peace and Tolerance Education	-	(315 257)	(315 257)	365 157	-	49 900
Peer Mediation	-	(73 057)	(73 057)	86 243	-	13 186
Construction and Equipping of Muzeinreeb Health Centre	-	(10 103)	(10 103)	46 197	(1 995)	34 100
English Courses for Damascus Training Centre instructors	-	-	-	40	(40)	-
Shelter Rehabilitation on self-help basis in Damascus South and Central areas	-	-	-	4 450	-	4 450
Furniture and equipment for Women's Programme Centres in Jordan	-	-	-	36	(36)	-
Upgrading the Equipment of the Siblin Training Centre	-	(123 788)	(123 788)	123 795	(6)	-

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Nuseirat - Construction and Equipping of Preparatory Girls School B	-	-	-	2 839	-	2 839
Beit Hanoun - Construction and Equipping of Elementary A & C Co-education School C	-	-	-	2 357	-	2 357
Dheish camp Elementary / Preparatory Girls School	-	-	-	1 326	-	1 326
Shelter Rehabilitation	-	-	-	936	(936)	-
Hiring of Teachers	-	-	-	134	(134)	-
D/Balah Sewerage and Drainage; Phase I; Element 2a; Construction of Pumping Station	-	-	-	20 434	(20 434)	-
Construction of Gravity Main Interceptor ; D/Balah - Stage 1	-	-	-	752 284	(752 284)	-
Construction of Pressure Main; D/Balah	-	-	-	55 515	(55 515)	-
Construction, Equipment, Staff Costs, Scholastic Supplies for Secondary School in Saida Bissan	-	(4 829)	(4 829)	169 565	(158 310)	6 427
Damascus Training Centre - Upgrading of Workshop and Provision of Related Equipment	-	-	-	45 772	(45 772)	-
Hiring Additional teachers in Gaza and West Bank	-	-	-	766	-	766
Construction of Khaireyeh / Majd-El-Kroum Preparatory school	-	(5 802)	(5 802)	8 435	-	2 633
Integration of Visually Impaired children	-	-	-	38	(38)	-
Upgrading of the Central Library in Neirab Camp in Aleppo; Syria	-	-	-	3 004	-	3 004
Comprehensive Maintenance of 15 School - Gaza	-	-	-	-	-	-
Construction and Equipping of 6 Classrooms at Fakhari Elementary A & B. Co-education School	-	-	-	(680)	-	(680)
Construction of 2 Classrooms at Nuseirat Preparatory A Girls School	-	-	-	2	(2)	-
Construction and Equipping of Science Laboratory at Rafah Preparatory B Boys School	-	(748)	(748)	3 683	-	2 935
Self-Help Shelter Re-Roofing	-	-	-	47 585	(47 585)	-
Shu'fat - Establishment of a Community Centre	-	-	-	6 789	(6 789)	-
Latakia - Construction of Five Classrooms and Other Improvements at Jaba'/Atleet School	-	-	-	36 431	(36 431)	-
Construction of 8 Classrooms and 2 Administration Rooms at Nasser A & B Basic Boys School	-	-	-	2 756	-	2 756
Construction and Equipping of Co-education School at Camp No. 1; Nablus	-	-	-	988	-	988
Self- Help Pavement of Alleyways in Beach Camp	-	(33 581)	(33 581)	33 581	-	-

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Poverty alleviation Programme - West Bank	-	-	-	47	(47)	-
Construction/Equipment of a New Health Centre at Sbeineh Camp	-	-	-	305	-	305
Yarmouk - Expansion of Mother and Child Centre Into a Full Health Centre	-	-	-	4 077	-	4 077
Sukhneh - Construction and Equipping of a Boys and Girls Schools	-	-	-	(910)	-	(910)
Provision of Medical Supplies	-	-	-	18 125	-	18 125
Shelter Rehabilitation - Gaza	4 867	-	4 867	6 146	(11 013)	-
Construction and Equipping of Rafah Preparatory D Girls School	58 314	-	58 314	39 099	(97 412)	-
Construction and Equipping of a Mother & Child Health Centre & Conversion of Existing Centre to a Dental Unit at Asker Camp	-	-	-	5 752	(5 752)	-
Construction, Equipping and Furnishing of Beit Sourik Elementary/Preparatory Girls School	-	-	-	58 833	(58 833)	-
Construction, Equipping and Furnishing of Amari Elementary Boys School	-	-	-	59 856	(59 856)	-
Construction, Equipping and Furnishing of Tulkarem Preparatory/Elementary School	-	-	-	(342 214)	342 214	-
Construction, Equipping and Furnishing of Hebron Co-education School	-	-	-	25 391	(25 391)	-
Infrastructure Improvements at Shu'fat Camp	-	-	-	82 791	(82 791)	-
Talbiyeh - Construction, Furnishing and Equipping of a Children Rehabilitation Centre	-	-	-	407	-	407
Shouneh - Construction of a Science Laboratory at North Shouneh Girls School	-	-	-	2	(2)	-
Upgrading of slow Learners Centres in Baqa'a, Husn, Marka and Amman New Camp	-	-	-	65	(65)	-
Beach - Coastal Defense Project A/B/C - Gaza	222 162	(1 417 893)	(1 195 731)	1 543 725	-	347 994
Construction and Equipping of Rafah Women's Programme Centre - Gaza	-	-	-	1 892	-	1 892
Construction, Equipping of Maghazi Preparatnry Boys School	-	-	-	279	-	279
Construction and Equipping of Beit Lahiya Elementary Co-education School	-	-	-	11 789	-	11 789
Shelter Rehabilitation A	-	-	-	5 714	-	5 714
Construction and Equipping of Askar Elementary/Preparatory Boys School	-	-	-	(40 566)	-	(40 566)

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Construction and Equipping of Abu-Dees Elementary/Preparatory Co-education School	-	-	-	136	-	136
Construction and Equipping of Shu'fat Elementary Girls School	-	-	-	(32 585)	-	(32 585)
Procurement of Urgently needed Equipment for 3 Courses at Kalandia Training Centre - West Bank	-	-	-	840	-	840
Ramallah - Public Health Laboratory - West Bank	-	-	-	120 480	-	120 480
Construction and Equipping of Jabalia Preparatory A Boys School	-	-	-	356	(356)	-
Construction of up to 19 Classrooms at Four Schools in Gaza	15 152	-	15 152	9 517	(24 669)	-
Various projects in Jordan	-	-	-	11 252	-	11 252
Establishment of Nursery and Kindergarten at Baqa'a camp - Jordan	-	-	-	580	-	580
Services Rendered to the Palestinian Authority	-	-	-	13 187	-	13 187
Construction of two shading sheds at Nuseirat Elementary B & D Co-education and Tal Al-Sultan Elementary Co-education & Raffah Elementary	-	-	-	2 628	-	2 628
Construction of Classrooms and a Science Laboratory at Jerusalem/Yazour School A/B - Syria	-	-	-	315 424	(315 424)	-
Repatriation of Palestinians from Sinai to Tel El-Sultan in the Gaza Strip	-	-	-	3 407	-	3 407
Upgrading of Nine Schools - West Bank	-	-	-	1 075	-	1 075
Provision of 3 Mini-Size Refuse Compactor Trucks - Jordan	-	-	-	25 631	(25 631)	-
Yarmouk - Construction of Palestine Health Center	-	-	-	15 343	-	15 343
Shelter Rehabilitation - Gaza	-	(35 517)	(35 517)	38 851	-	3 334
Graduate Training Programme - Gaza	-	-	-	3 510	-	3 510
Kindergarten in Khan Eshieh Women's Programme Centre	-	(958)	(958)	1 212	-	254
Expansion of UNRWA's Family Health Programme	-	(3 990)	(3 990)	8 544	-	4 554
Training for Siblin Training Centre Staff on Material Testing Laboratory	-	(1 017)	(1 017)	1 317	-	299
Siblin Training Centre - Upgrading of Equipment for 4 Building Courses	-	(1 732)	(1 732)	1 576	-	(156)
Replacement of Tools and Instruments in the Mechanical Section at Siblin Training Centre	-	(191)	(191)	553	-	362
Equipping and Furnishing of Wadi Seer Training Centre - Jordan	-	-	-	1 692	-	1 692
Construction of Main Sewer Line - Beach Camp; Gaza	-	-	-	2 915	(2 915)	-

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Design of the Central and Nuseirat Pumping Stations	-	-	-	80 044	(80 044)	-
Siblin Training Centre - Completion of 2 Attic Roofs; Conversion of Dormitories into Specialized Rooms	-	-	-	78 420	(77 044)	1 376
Completion of Internal Sewerage System at Tulkarm Camp A	-	-	-	14 953	(14 953)	-
Shu'fat - Replacement of Overhead High Voltage Transmission Line with Underground Cable Network	-	-	-	36 148	(36 148)	-
Siblin Training Centre - Upgrading of Existing Equipment for the Laboratory Technician Course	-	(546)	(546)	833	-	287
Siblin Training Centre - Replacement of Workbenches of the Workshops	-	(11 831)	(11 831)	12 378	59	605
Short Term Building Courses - Siblin Training Centre	-	-	-	1 148	(59)	1 089
Construction of Sewer and Water Networks in Eight Palestinian Refugee Camps	3 883 981	(293 931)	3 590 051	334 103	-	3 924 153
Equipment and Miscellaneous Supplies for Mechanical/Metal and Computer Courses	-	(27 903)	(27 903)	29 164	-	1 261
Construction and Equipment for Maintenance Fitter Machinist	-	(236)	(236)	237	(1)	-
Upgrading of Garbage Disposal - West Bank	-	-	-	1 004 888	(1 004 888)	-
Upgrading Municipal Refuse Collection and Disposal System - Gaza	-	-	-	220 991	(220 991)	-
Construction and Equipping of 12 Classrooms at Nuseirat Preparatory A Girls School	-	(143 968)	(143 968)	201 801	-	57 833
Construction and Equipping of 7 Classrooms and 2 Handicrafts Units at Jabalia Preparatory C Boys School	-	(199 440)	(199 440)	278 140	-	78 700
Replacement of Dilapidated Blocks at Arroub Boys School	-	(706 534)	(706 534)	962 361	-	255 826
Construction, Furnishing and Equipping Two Specialized Rooms at Dier Ammar Girls School	-	(234 816)	(234 816)	-	232 699	(2 118)
Equipping the Computer Workshop at Beit Ula Girls School	-	(5 154)	(5 154)	7 175	-	2 021
Equipping the Computer Workshop at Beit Ula Girls School	-	(19 247)	(19 247)	22 621	-	3 374
Equipment for Two Siblin Training Centre Courses, Sheet Metal and Aluminium Fabricator & Welder & Pipe Fabricator	-	(14 067)	(14 067)	14 136	-	69
Training Health Care Staff in Epidemiology, Reproductive Health Counseling	-	(2 107)	(2 107)	56 632	(54 525)	-
Construction and Furnishing of Fifteen Classrooms at Bani Suhaila Preparatory and Elementary Boy's School, Gaza	1 664	(241 582)	(239 918)	-	261 256	21 338

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Rehabilitation of Roads at Siblin Training Centre	-	-	-	138	-	138
Various Projects in Gaza	76 632	-	76 632	-	-	76 632
Peace Implementation Programme Total	4 626 900	(5 523 289)	(896 390)	10 159 601	(3 929 037)	5 334 175
Lebanon Appeal :						
Shelter Rehabilitation - Beddawi Camp	-	(7 310)	(7 310)	7 310	-	-
Mechanization of Solid waste Collection and Disposal Systems	-	(15 665)	(15 665)	16 655	-	990
Construction and Furnishing of Rashidieh Secondary School Al-Aqsa School	-	(171 870)	(171 870)	271 356	(98 354)	1 133
Short Term Courses at Siblin Training Centre	-	(48 904)	(48 904)	69 738	(20 978)	(144)
Running Costs of new computer courses at Siblin Training Centre	-	(21 934)	(21 934)	41 325	-	19 391
Upgrading of Equipment for Electrical/Electronic Courses at Siblin Training Centre	-	-	-	44 366	(44 366)	-
Medical Supplies for Rashidiah Health Centre	-	(3 705)	(3 705)	4 301	-	596
Shelter Rehabilitation	147 638	-	147 638	(140 451)	(7 187)	-
Upgrading the Equipment of Maintenance and Fitter Machinist Course at Siblin Training Centre, Lebanon	-	(44 366)	(44 366)	-	44 366	-
Construction and Equipping of six Classrooms at Sammou School in Ein- El-Hilweh Camp, Lebanon	-	(12 566)	(12 566)	-	98 354	85 788
Construction of Security Fence at Siblin Training Centre, Lebanon	-	(20 978)	(20 978)	-	20 978	-
Lebanon Appeal Total	147 638	(347 298)	(199 660)	314 601	(7 187)	107 754
Income Generation Programme :						
Income Generation Programme, Agency Wide - Running Costs	282 807	(121 168)	161 640	135 515	113	297 268
Poverty Alleviation Programme, West Bank (Prefix K1)	654	-	654	26 266	-	26 920
Income Generating Programme related to Self-Supporting Projects Grants Funded from GF	3 358	(392)	2 966	-	-	2 966
Credit & Skill Training for IGP and Employment of Palestinian Women in Lebanon	60 000	(60 000)	-	-	-	-
RSSD Microfinance and Poverty Alleviation Project	1 323	(34 161)	(32 838)	-	100 000	67 162
Income Generation Programme Total	348 142	(215 720)	132 421	161 781	100 113	394 316

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Capital & Special Projects :						
Production of Mrs. Abu Risheh book for children	-	(1 815)	(1 815)	1 904	(89)	-
Environmental Sanitation Projects agency wide	-	-	-	179 848	-	179 848
Dheisheh Community Centre	-	-	-	3 052	-	3 052
Scholarships	-	-	-	1 630	-	1 630
Reconstruction of two sanitation offices in Khan Younis & Raffah	-	-	-	1	(1)	-
Equip for Diesel mechanic courses/Upgrading of the workshop at DTC	-	-	-	37 259	(37 259)	-
Hama Camp Community Rehabilitation Programme	-	-	-	861	-	861
Running costs of the existing 4 kindergartens in Lebanon.	-	-	-	2 175	-	2 175
University scholarships	-	(142 877)	(142 877)	142 856	21	-
Various Urgent Projects	-	-	-	26 669	-	26 669
University Scholarship Programme	-	(2 900)	(2 900)	2 900	1	-
University Scholarship Programme	-	(5 565)	(5 565)	5 565	-	-
Junior Professional Officer; Ms. Paola Cirrillo	-	-	-	5 575	(5 575)	-
1st Year; Junior Professional Officer; Philippe Grandit; Ext. Relations & Projects Officer	-	-	-	4 731	(26)	4 705
Assistant to Field Administration Officer; P1	-	-	-	7 689	-	7 689
French Junior Professional Officer; Ms. Marie-Anne Menier	-	-	-	16 860	(16 860)	-
URS Coordinator	-	-	-	(570)	570	-
Provision of Contraceptive Supplies, Agency Wide	-	-	-	2 284	-	2 284
Junior Professional Officer	-	-	-	18 308	-	18 308
Junior Professional Officers	-	-	-	1 346	-	1 346
Capital & Special Projects Total	-	(153 157)	(153 157)	460 944	(59 219)	248 568
Expanded Programme of Assistance :						
Expanded Maternal health Programme in Gaza	-	-	-	62 465	-	62 465
Expanded Maternal Health in the WB	-	-	-	72	(72)	-
Construction and Connection of Sewerage Systems	-	-	-	280 313	-	280 313
Running Costs of Electric Generator	-	-	-	4 896	-	4 896
Development and Commissioning of a School of Nursing B	-	-	-	39 687	-	39 687

Appendix 3

PROJECTS	Income	Expenditure	SURPLUS (DEFICIT) FOR THE PERIOD	Fund Balance as at 01 January 2002	Prior Years' Adjustments	FUND BALANCE AS AT 31 DECEMBER 2003
Orthopedic Surgeon - Donation in-kind	-	-	-	10 243	(10 243)	-
Income Generating Projects in Jordan; West Bank & GAZA	-	-	-	5 046	-	5 046
WPC-Health and Education West Bank	-	-	-	17 069	-	17 069
Construction & Equipping of 4 Pre-fabricated classrooms - Gaza	-	-	-	28	(28)	-
6 Ambulances; Equipment & Training - Gaza	-	-	-	165 790	-	165 790
Women Programme Center - WB	-	-	-	630	-	630
Relief, Medical and Training - Gaza & West Bank	-	-	-	9 703	-	9 703
Salary RHO - WB	-	-	-	994	-	994
Cost of Vehicles	-	-	-	2 853	-	2 853
Upgrading of East Jerusalem Health Clinic	-	-	-	463	-	463
Training of Medical Staff	-	-	-	5 857	-	5 857
Dental Unit for Raffah Health centre	-	-	-	15 193	-	15 193
Upgrading of East Jerusalem Health Center	-	-	-	2 556	-	2 556
Procurement of urgently needed equipment for 3 Courses at KTC	-	-	-	21 231	-	21 231
AIDS (IEC) Training Courses	-	-	-	2 404	-	2 404
Upgrading of Pumping Stations No. 1 & 2 at Beach Camp	-	-	-	114 128	(114 128)	-
Al Ahli Hospital , Gaza	-	-	-	5 532	-	5 532
Women's Programme Centre in Daraj, Gaza	-	-	-	573	-	573
Expended Programme of Assistance Total	-	-	-	767 726	(124 471)	643 255
Head Quarters Move to Gaza	-	-	-	(5 091 973)	-	(5 091 973)
Total Projects	17 512 572	(33 926 937)	(16 414 364)	32 524 227	(593 641)	15 516 221
TOTAL NON-REGULAR BUDGET FUNDS	211 385 711	(218 889 353)	(7 503 642)	81 569 233	(866 433)	73 199 157
Microfinanace and Microenterprise Programme	2 068 537	(4 043 985)	(1 975 448)	(846 094)	17 362	(2 804 180)
TOTAL ALL FUNDS	848 033 527	(824 598 908)	23 434 618	98 547 659	(4 794 891)	107 187 389

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

DONOR CONTRIBUTIONS AND OUTSTANDING CONFIRMED PLEDGES
For The Biennium 2002-2003
(In USD)

(A) INCOME BY DONOR:

Biennium 2000-2001	DONOR	REGULAR BUDGET FUNDS			NON-REGULAR BUDGET FUNDS			GRAND TOTAL
		Cash	In-Kind	Total	Emergency Appeal	Projects	Total	
	Governments:							
4 753 521	Australia	4 317 000	400	4 317 400	993 560	133 660	1 127 220	5 444 620
984 131	Austria	1 223 126	-	1 223 126	356 295	-	356 295	1 579 421
75 000	Behrain	60 000	-	60 000	-	-	-	60 000
4 862 176	Belgium	1 415 024	2 716 251	4 131 275	2 325 368	820 849	3 146 217	7 277 492
10 000	Brunei Darussalam	20 000	-	20 000	-	-	-	20 000
20 482 824	Canada	13 091 975	-	13 091 975	1 935 908	-	1 935 908	15 027 883
10 000	Chile	5 000	-	5 000	-	-	-	5 000
120 000	China	119 985	-	119 985	-	-	-	119 985
4 915	Colombia	-	-	-	-	-	-	-
25 000	Cyprus	42 750	-	42 750	18 310	-	18 310	61 060
51 843	Czech Republic	66 450	-	66 450	35 000	-	35 000	101 450
18 289 821	Denmark	13 817 065	-	13 817 065	3 483 848	287 952	3 771 800	17 588 865
154 230	Egypt	20 000	-	20 000	-	-	-	20 000
4 524 268	Finland	4 412 236	-	4 412 236	1 864 777	-	1 864 777	6 277 013
19 132 417	France	5 320 078	767 892	6 087 970	243 542	875 282	1 118 824	7 206 794
13 074 564	Germany	12 431 976	106 175	12 538 151	6 305 851	1 811 849	8 117 700	20 655 851
800 000	Greece	800 000	-	800 000	-	-	-	800 000
25 475	Holy See	-	-	-	-	73 000	73 000	73 000
7 000	Iceland	105 000	-	105 000	-	-	-	105 000
9 480	India	10 133	-	10 133	-	-	-	10 133
3 139 510	Ireland	2 542 650	-	2 542 650	3 451 817	-	3 451 817	5 994 467
17 252 066	Italy	17 843 602	2 320	17 845 922	390 109	1 352 101	1 742 210	19 588 132
27 119 537	Japan	8 211 248	8 945 182	17 156 430	2 529 526	849 351	3 378 877	20 535 307
172 672	Jordan	-	649 396	649 396	-	-	-	649 396
200 000	Korea, Republic Of	200 000	-	200 000	-	-	-	200 000
3 503 407	Kuwait	2 999 946	-	2 999 946	-	-	-	2 999 946
38 153	Lebanon	-	22 840	22 840	-	-	-	22 840
3 488 781	Luxembourg	3 146 977	-	3 146 977	762 771	452 112	1 214 883	4 361 860
1 000 000	Libya	-	-	-	-	-	-	-
75 210	Malaysia	50 000	-	50 000	-	-	-	50 000
2 000	Maldives	2 000	-	2 000	-	-	-	2 000
6 000	Malta	-	-	-	-	-	-	-
9 000	Mexico	2 913	-	2 913	-	-	-	2 913
10 000	Monaco	10 000	-	10 000	-	-	-	10 000
20 053	Morocco	45 923	-	45 923	-	-	-	45 923

APPENDIX 4

Biennium 2000-2001	DONOR	REGULAR BUDGET FUNDS			NON-REGULAR BUDGET FUNDS			GRAND TOTAL
		Cash	In-Kind	Total	Emergency Appeal	Projects	Total	
41 243 625	Netherlands	23 671 685	-	23 671 685	2 458 210	254 205	2 712 415	26 384 100
318 935	New Zealand	284 456	-	284 456	405 781	-	405 781	690 237
25 766 623	Norway	25 403 037	-	25 403 037	6 896 230	-	6 896 230	32 299 267
25 000	Oman	25 000	-	25 000	-	-	-	25 000
2 921 051	Palestine	57 829	3 767 910	3 825 739	-	-	-	3 825 739
-	Poland	40 000	-	40 000	-	-	-	40 000
25 000	Portugal	225 000	-	225 000	-	-	-	225 000
70 000	Qatar	70 000	-	70 000	-	-	-	70 000
12 985 367	Saudi Arabia	3 600 000	-	3 600 000	10 000 000	-	10 000 000	13 600 000
64 944	South Africa	147 000	-	147 000	-	-	-	147 000
7 138 502	Spain	6 494 651	-	6 494 651	-	-	-	6 494 651
35 378 470	Sweden	37 174 199	-	37 174 199	7 628 627	-	7 628 627	44 802 826
13 419 135	Switzerland	10 849 903	-	10 849 903	4 185 799	844 230	5 030 029	15 879 932
85 732	Syrian Arab Republic	-	61 634	61 634	-	-	-	61 634
-	Thailand	30 000	-	30 000	-	-	-	30 000
34 981	Tunisia	20 810	-	20 810	-	-	-	20 810
612 815	Turkey	400 000	-	400 000	199 950	-	199 950	599 950
1 000 000	United Arab Emirates	1 000 000	-	1 000 000	1 776 199	-	1 776 199	2 776 199
68 543 858	United Kingdom	40 908 706	1 400 000	42 308 706	20 507 435	968 646	21 476 081	63 784 787
212 177 170	United States Of America	172 750 267	218 049	172 968 316	76 185 212	4 534 400	80 719 612	253 687 928
565 224 259	**Total Governments**	**415 485 600**	**18 658 051**	**434 143 651**	**154 940 125**	**13 257 637**	**168 197 762**	**602 341 413**
	Inter-Governmental Organizations:							
480 000	Arab Fund for Economic and Social Development (AFESD)	-	-	-	-	-	-	-
387 500	Arab Gulf Programme for United Nations Development Organizations (AGFUND)	-	-	-	379 000	40 000	419 000	419 000
168 749 417	European Union	136 157 865	9 743 106	145 900 971	14 199 049	3 195 944	17 394 993	163 295 964
5 000 000	Islamic Development Bank (IDB)	-	-	-	-	76 000	76 000	76 000
174 616 916	**Total IGOs**	**136 157 865**	**9 743 106**	**145 900 971**	**14 578 049**	**3 311 944**	**17 889 993**	**163 790 964**
	UN Organizations:							
25 600 000	United Nations	29 386 657	-	29 386 657	-	-	-	29 386 657
69 544	UNDP	-	17 507	17 507	393 115	-	393 115	410 622
910 736	UNESCO	242 761	420 759	663 520	-	30 000	30 000	693 520
1 094 069	UNICEF	-	280 389	280 389	-	-	-	280 389
639 000	World Health Organization	200 000	610 590	810 590	480 000	-	480 000	1 290 590
84 000	Office for the Coordinator Of Humanitarian Affairs	-	-	-	-	-	-	-
-	ILO	-	-	-	-	60 000	60 000	60 000
-	OCHA	-	-	-	156 245	-	156 245	156 245
-	UNFPA	-	45 926	45 926	100 000	-	100 000	145 926
-	UN Women's Guild	-	-	-	-	5 998	5 998	5 998
28 397 349	**Total UN Organizations**	**29 829 418**	**1 375 171**	**31 204 589**	**1 129 360**	**95 998**	**1 225 358**	**32 429 947**

Biennium 2000-2001	DONOR	REGULAR BUDGET FUNDS			NON-REGULAR BUDGET FUNDS			GRAND TOTAL
		Cash	In-Kind	Total	Emergency Appeal	Projects	Total	
	Non-Governmental Organizations:							
-	American Friends Service Committee, USA	-	3 600	3 600	-	-	-	3 600
21 479	ANERA	-	5 752	5 752	-	-	-	5 752
2 000	Arab Cultural Association In Tokyo	-	-	-	-	-	-	-
60 417	CARE International	-	36 275	36 275	-	-	-	36 275
70 837	Children International	-	15 000	15 000	-	-	-	15 000
-	CISCO Press	-	13 750	13 750	-	-	-	13 750
33 947	Danish Refugee Council	-	-	-	-	-	-	-
8 433	Deutsche Stiftung	-	-	-	-	29 548	29 548	29 548
-	Direct Relief International	-	350 920	350 920	-	-	-	350 920
58 044	Egyptian Red Crescent Society	-	-	-	1 058 306		1 058 306	1 058 306
-	Focus International	-	-	-	14 068	-	14 068	14 068
-	French Cultural Centre	-	2 200	2 200	-	-	-	2 200
-	Hashemite Fund	-	5 650	5 650	-	-	-	5 650
564 587	Holy Land Christian Mission	-	353	353	-	-	-	353
-	Hope Haven International	-	-	-	6 000	-	6 000	6 000
-	International Committee of the Red Cross	-	10 395	10 395	-	-	-	10 395
-	Islamic Cultural Center, Kuwait	-	-	-	10 000	-	10 000	10 000
-	Japan International Cooperation Agency (JICA)	-	6 150	6 150	-	-	-	6 150
2 857	Japan Women's Association for the Middle East & Africa	5 433	-	5 433	-	-	-	5 433
50 000	King Hussein Foundation	-	-	-	-	-	-	-
-	Lutheran World Relief, USA	-	617 082	617 082	-	-	-	617 082
114 183	Movimondo	-	-	-	-	-	-	-
-	Nour International Relied Aid	-	-	-	48 513	-	48 513	48 513
-	Palestine Right to Return Coalition	-	-	-	27 600	-	27 600	27 600
-	OPEC	-	-	-	-	70 000	70 000	70 000
-	Red Crescent Society, Ramallah	-	155	155	-	-	-	155
-	Red Crescent Society, UAE	-	-	-	11 844 031	-	11 844 031	11 844 031
-	Response International	-	-	-	-	142 708	142 708	142 708
-	Right to Play, Canada	-	-	-	-	167 000	167 000	167 000
757 217	Rissho Kosei-Kai, Japan (RKK)	-	337 972	337 972	-	24 927	24 927	362 900
-	SAGAMIHARA Green Rotary Club	-	-	-	-	1 667	1 667	1 667
-	Saudi Committee	-	-	-	1 164 000	-	1 164 000	1 164 000
365	Save The Children Fund, Uk	-	-	-	-	-	-	-
-	Society of Friends of RCVI, Gaza	-	9 235	9 235	-	-	-	9 235
22 000	Swiss & German Aid Caritas, Switzerland	-	-	-	-	-	-	-
-	Syrian Arab Popular Committee	-	-	-	3 538 276	-	3 538 276	3 538 276
595	The British Council	-	-	-	-	-	-	-
-	The Islamic American Relief Agency	-	-	-	60 000	-	60 000	60 000
-	United Arab Emirates Friends Society	-	-	-	99 982	-	99 982	99 982
-	United Arab Emirates RCA	-	-	-	2 619 183	-	2 619 183	2 619 183
5 250	Univ.Trust For Educ. Exchange With Pales	-	-	-	-	-	-	-
17 428	US Based NGO	-	-	-	-	-	-	-

APPENDIX 4

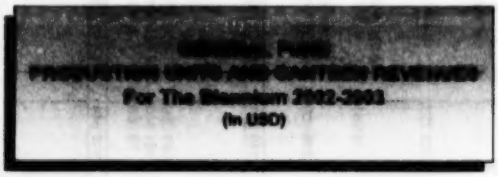
Biennium 2000-2001	DONOR	REGULAR BUDGET FUNDS			NON-REGULAR BUDGET FUNDS			GRAND TOTAL
		Cash	In-Kind	Total	Emergency Appeal	Projects	Total	
20 767	Welfare Association	-	-	-	-	-	-	-
47 250	World Vision International, Lebanon	-	-	-	-	-	-	-
1 857 653	Total Non-Governmental Organizations	5 433	1 414 493	1 419 926	20 489 957	435 852	20 925 809	22 345 735
1 626 403	Other Resources	160 286	912 706	1 072 992	1 257 283	123 000	1 380 283	2 453 275
771 722 580	TOTAL CONTRIBUTIONS INCOME	581 638 602	32 103 527	613 742 128	192 394 774	17 224 431	209 619 205	823 361 333

(B) OUTSTANDING PLEDGES BY DONOR:

Biennium 2000-2001			DONOR	REGULAR BUDGET FUNDS			NON-REGULAR BUDGET FUNDS			GRAND
Regular Budget	Non-Regular Budget	Total		Cash	In-Kind	Total	Emergency Appeal	Projects	Total	TOTAL
			Governments:							
186 800	-	186 800	Australia	-		-	-	-	-	-
218 216	1 125 786	1 344 002	Belgium	797 750		797 750	-	820 849	820 849	1 618 599
-	892 791	892 791	Canada	-		-	-	-	-	-
-	-	-	Chile	5 000		5 000	-	-	-	5 000
-	360 395	360 395	Denmark	-		-	-	-	-	-
-	2 579 630	2 579 630	France	-		-	-	-	-	-
-	910 581	910 581	Germany	-		-	624 220	-	624 220	624 220
4 727	-	4 727	India	4 971		4 971	-	-	-	4 971
2 727 765	2 759 344	5 487 109	Italy	-		-	96 506	1 248 439	1 344 945	1 344 945
-	260 252	260 252	Japan	-		-	1 134 392	-	1 134 392	1 134 392
1 500 000	-	1 500 000	Kuwait	3 258 230		3 258 230	-	-	-	3 258 230
-	220 742	220 742	Luxembourg	-		-	357 604	-	357 604	357 604
1 000 000	-	1 000 000	Libya	-		-	-	-	-	-
20 053	-	20 053	Morocco	-		-	-	-	-	-
-	2 229 694	2 229 694	Netherlands	-		-	-	183 753	183 753	183 753
-	559 284	559 284	Norway	-		-	-	-	-	-
-	-	-	Palestine	57 829		57 829	-	-	-	57 829
-	6 814 891	6 814 891	Saudi Arabia	-		-	10 000 000	-	10 000 000	10 000 000
-	161 564	161 564	Switzerland	-		-	-	19 981	19 981	19 981
-	-	-	Tunisia	9 524		9 524	-	-	-	9 524
500 000	-	500 000	United Arab Emirates	-		-	1 776 199	-	1 776 199	1 776 199
-	3 732 080	3 732 080	United Kingdom	-		-	1 879 290	976 909	2 856 199	2 856 199
-	8 095 830	8 095 830	United States Of America	-		-	-	-	-	-
6 157 561	30 702 864	36 860 425	**Total Governments**	4 133 304		4 133 304	15 868 211	3 249 931	19 118 142	23 251 446
			Inter-Governmental Organizations:							
-	333 539	333 539	Arab Fund for Economic and Social Development (AFESD)	-		-	-	-	-	-
-	100 000	100 000	Arab Gulf Programme for United Nations Development Organizations (AGFUND)	-		-	210 000	191 000	401 000	401 000
	48 955 238	48 955 238	European Union	5 523 333		5 523 333	9 017 155	7 651 644	16 668 799	22 192 132
17 259 859	(12 259 859)	5 000 000	Islamic Development Bank (IDB)	-		-	-	76 000	76 000	76 000
17 259 859	37 128 918	54 388 777	**Total IGOs**	5 523 333		5 523 333	9 227 155	7 918 644	17 145 799	22 668 132
			UN Organizations:							
-	-	-	United Nations	546 657		546 657	-	-	-	546 657
-	-	-	UNESCO	44 287		44 287	-	-	-	44 287
-	-	-	**Total UN Organizations**	590 944		590 944	-	-	-	590 944
			Non-Governmental Organizations:							
-	77 556	77 556	Movimondo	-		-	-	-	-	-
-	-	-	OPEC	-		-	-	70 000	70 000	70 000
-	-	-	Response International	-		-	-	85 200	85 200	85 200
-	-	-	Right to Play, Canada	-		-	-	142 800	142 800	142 800
-	-	-	Saudi Committee	-		-	1 164 000	-	1 164 000	1 164 000
-	-	-	Syrian Arab Popular Committee	-		-	699 029	-	699 029	699 029
-	-	-	United Arab Emirates RCA	-		-	2 619 183	-	2 619 183	2 619 183
-	13 709	13 709	Welfare Association	-		-	-	-	-	-
-	91 265	91 265	**Total Non-Governmental Organizations**	-		-	4 482 212	298 000	4 780 212	4 780 212
										-
23 417 420	67 923 047	91 340 467	**TOTAL OUTSTANDING CONFIRMED PLEDGES**	10 247 581		10 247 581	29 577 578	11 466 575	41 044 153	51 291 734

ANNEX

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST



	Schools Contributions & Canteen Revenues	Production Units				GRAND TOTAL
		Contracting	Carpentry	Embroidery	Total	
GAZA:						
Sales(Income)	774 996	2 503 213	2 137 573	141 454	4 782 241	5 557 237
Cost of Sales	751 877	2 398 173	1 927 349	183 323	4 508 845	5 260 722
Net income	**23 119**	**105 040**	**210 224**	**(41 868)**	**273 396**	**296 515**
LEBANON:						
Sales(Income)	601 442				-	601 442
Cost of Sales	557 437				-	557 437
Net income	**44 005**	-	-	-	-	**44 005**
SAR:						
Sales(Income)	300 909				-	300 909
Cost of Sales	190 674				-	190 674
Net income	**110 235**	-	-	-	-	**110 235**
JORDAN:						
Sales(Income)	1 313 619				-	1 313 619
Cost of Sales	1 304 367				-	1 304 367
Net income	**9 252**	-	-	-	-	**9 252**
W.B.:						
Sales(Income)	362 015				-	362 015
Cost of Sales	398 469				-	398 469
Net income	**(36 454)**	-	-	-	-	**(36 454)**
TOTALS :						
Sales(Income)	**3 352 981**	**2 503 213**	**2 137 573**	**141 454**	**4 782 241**	**8 135 222**
Cost of Sales	**3 202 824**	**2 398 173**	**1 927 349**	**183 323**	**4 508 845**	**7 711 669**
Net income	**150 157**	**105 040**	**210 224**	**(41 868)**	**273 396**	**423 553**

C. Financial statements of the microfinance and microenterprise programme

STATEMENT A

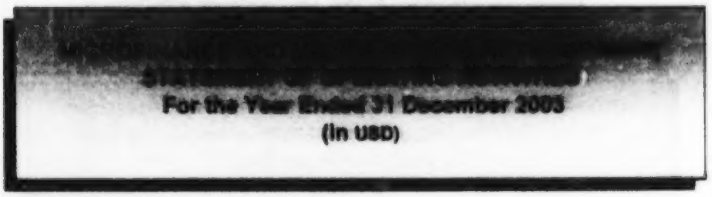
UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

MICROFINANCE AND MICROENTERPRISE PROGRAMME
BALANCE SHEET
As at 31 December 2003
(In USD)

YEAR 2002	PARTICULARS	Note	YEAR 2003
	ASSETS		
	Current Assets :		
9 020 302	Cash on Hand and Deposits with Banks	3	6 324 601
57 547	Contribution Receivable		-
2 085 745	Loans Receivable, net	4	3 901 481
341	Prepayments and Other Receceivables		334
11 163 935			10 226 416
	Fixed Assets, net		
187 193	of Accumulated Depreciation	5	171 309
11 351 128	**Total Assets**		**10 397 725**
	LIABILITIES, NET ASSETS AND SHARE CAPITAL		
	Current Liabilities :		
77 516	Payables and Accruals		43 932
-	Inter-Office Accounts		-
161 073	Bills Payable to UNRWA	6	26 547
500 000	UNRWA's Contribution to MMP	7	-
738 589	**Total Liabilities**		70 479
	Net Assets:		
(2 640 010)	General Undesignated		(2 926 367)
-	Temporary Restricted	8	-
144 521	Board Designated Fund	9	122 187
-	Temporary Restricted		-
13 108 028	Revolving Loan Fund	10	13 131 426
10 612 539	**Total Net Assets (Statement - C)**		10 327 246
11 351 128	**Total Liabilities and Net Assets**		**10 397 725**

STATEMENT B

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST



For the Year Ended 31 December 2003
(In USD)

YEAR 2002	PARTICULARS	Note	YEAR 2003
	Operating Revenues:		
708 942	Interest Received on Loans		868 354
408 760	Recovery of Written Off Loans		836 308
161 886	Bank Interest		91 749
1 279 588			1 796 411
(1 138 377)	Releases (Additional Provision) for Loan Losses	4.3	55 009
141 211	**Total Operating Revenues**		**1 851 420**
	Operating Expenses:		
1 376 724	Salaries and Related Expenses		1 575 331
56 762	Special Service Contracts		90 550
20 000	Audit Fees		43 500
115 942	Occupancy		136 213
51 007	Communication		61 839
5 436	Stationery and Supplies		7 831
37 283	Minor Equipment and Maintenance		31 846
36 356	Travel and Transportation		70 143
52 349	Depreciation		60 117
7 848	Loss (Gain) on Exchange Differences		(5 235)
	Program Support Cost		48 327
6 871	Others		17 315
1 766 578	**Total Operating Expenses**		**2 137 777**
(1 625 367)	**Operating Loss for the Year (Statement - C)**		**(286 357)**

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

MICROFINANCE AND MICROENTERPRISE PROGRAMME
STATEMENT OF ACTIVITIES IN RESTRICTED FUNDS AND CHANGES IN NET ASSETS
For the Year Ended 31 December 2003
(In USD)

PARTICULARS	Unrestricted Fund	Temporary Restricted	Board Designated	Revolving Loan Fund	Total
Net Assets at Beginning of Year	(2 640 010)	-	144 521	13 108 028	10 612 539
Operating Loss for the Year (Statement - B)	(286 357)	-	-	-	(286 357)
Non-operating Revenues:	-	-	-	-	-
Training Unit Revenues	-	-	48 220	-	48 220
Training Unit Expenses	-	-	(77 156)	-	(77 156)
Releases to procure Fixed Assets	-	-	-	-	-
AG Fund	-	-	30 000	-	30 000
AG Fund- MEC Loans Issued	-	-	(23 398)	23 398	-
Net Assets at End of Year (Statement - A)	(2 926 367)	-	122 187	13 131 426	10 327 246

STATEMENT D

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

STATEMENT OF CASH FLOW
For the Year Ended 31 December 2003
(In USD)

YEAR 2002	PARTICULARS	YEAR 2003
	Cash Flows from Operating Activities:	
60 000	Contributions Received	87 547
1 309 887	Interest on Loans and Other Revenues	1 844 631
(2 194 168)	Cash Paid to Employees and Suppliers	(2 322 919)
(824 281)	**Net cash provided by operating activities**	**(390 741)**
	Cash Flows from Financing Activities:	
-	Payment of Loans	(500 000)
-	**Net cash provided by Financing activities**	**(500 000)**
	Cash Flows from Investing Activities:	
(76 121)	Procurement of Fixed Assets	(44 233)
(5 151 528)	Loans Extended	(8 744 224)
5 530 528	Loans' Collections	6 983 497
302 879	**Net cash provided by Investing activities**	**(1 804 960)**
(521 402)	**Increase in Cash and Banks During the Period**	**(2 695 701)**
9 541 704	Cash at Beginning of the Year	9 020 302
9 020 302	**Cash on Hand and Deposits With Banks at end of Year**	**6 324 601**
	Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
(1 589 394)	Change in Net Assets	(285 293)
1 138 377	Provision for Loans Losses	(55 009)
52 349	Depreciation	60 117
(20 114)	Decrease (Increase) in Contribution Receivable	57 547
7 135	Decrease (Increase) in Prepaid Expenses	7
57 516	(Decrease) Increase in Payables and Accruals	(33 584)
(470 150)	(Decrease) Increase in Bills Payable to UNRWA	(134 526)
(824 281)		**(390 741)**

Notes to the microfinance and microenterprise programme financial statements

Note 1
Organization

Since June 1991, the UNRWA microfinance and microenterprise programme in the West Bank and Gaza has helped to promote small business development, create employment, improve the income of microenterprises and reduce poverty through the establishment of a number of targeted credit programmes aimed at small businesses, microenterprises and women. The programme is organized around three revolving loan funds in Gaza and two in the West Bank. It supports businesses varying in size from a micro-vending enterprise, employing just one or two individuals, to small industries, and aims to satisfy a variety of needs, such as capital funding and working capital financing.

The programme's funds are disbursed to borrowers under three credit programme categories: small-scale enterprise credit, solidarity-group lending and microenterprise credit.

The small-scale enterprise credit was the original credit instrument. Its objective is to provide small-scale enterprises with loans.

The microenterprise credit was introduced in Gaza in February 1996 and in the West Bank in March 1998 to meet the demand for working capital needs with existing micro and small-scale enterprises that were unable to secure credit from commercial institutions primarily because of a lack of required collateral.

Solidarity-group lending was introduced in Gaza in May 1994 to enable Palestinian women to participate in the local community.

The bank guarantee programme was established in 1993 through an agreement with Cairo Amman Bank. Under that agreement, UNRWA guaranteed each loan disbursed by its deposits. The Bank disbursed the loans upon instructions from intergovernmental organizations and UNRWA. This programme was in operation from 1993 to 1995.

The consumer-lending product was established in 2002 in the Gaza area. This product aims to help workers and employees to purchase household requirements through loans from the microfinance and microenterprise programme. Target clients are people who have a fixed monthly income.

During 2003 two new microfinance and microenterprise programme branches were established, in the Syrian Arab Republic (Yarmouk branch) and Jordan (Wehdat branch). The two branches disburse microenterprise credit loans only. Management is planning to introduce new products in 2004.

Note 2
Summary of significant accounting policies

The financial statements have been prepared in conformity with the International Accounting Standards on the accrual basis of accounting, except for interest accrued on unpaid loan principal, which is recognized as income on the date of receipt. A summary of significant accounting policies is described below.

2.1 Basis of presentation

Funds of the microfinance and microenterprise programme and changes therein are classified and reported as follows:

- Unrestricted net assets — utilization of net assets by the microfinance and microenterprise programme is not subject to donor-imposed restrictions.
- Temporary restricted net assets — net assets whose use by the microfinance and microenterprise programme is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and released by actions of the programme pursuant to those donor-imposed stipulations. Contributions receivable represent the amount of grants due from donors for expenses and costs incurred prior to 31December 2001.
- Revolving loan fund — includes restricted contributions received for on-lending purposes, which were expended as loans.
- Board-designated fund — represents balances remaining from unrestricted prize money received from the Arab Gulf Programme for United Nations Development Organizations prize and course fees charged for business/management training conducted for entrepreneurs and managers to cover costs of the training unit. These were designated by the Board to cover the launch of a pilot consumer-lending product for the poor, the development of a management information system and training.
- Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporary restricted net assets are classified as non-operating revenues and are reported in the statement of activities of restricted funds and changes in net assets.

2.2 Loans receivable and allowance for loan losses

Loans are stated at the amount of outstanding principal reduced by an allowance for loan losses. Management provides for loan losses every quarter in order to maintain the allowance for loan losses at adequate levels. The adequacy of the allowance for loan losses is determined by applying defined percentages to the outstanding balances in various ageing categories, as follows:

Loan status	*Allowance (percentage)*
1-30 days overdue	5
30-60 days overdue	10
60-90 days overdue	25
90-120 days overdue	50
120-180 days overdue	75
180-360 days overdue	100

Outstanding loans that have been overdue for more than one year are automatically written off every quarter.

Interest on loans is recorded on the cash basis of accounting when repayments are received. Owing to the nature of the programme, the short maturity period of the portfolio and the conservative provisioning policy described above, the cash basis of accounting for interest revenue is not materially different from the accrual basis required under the International Accounting Standards.

2.3 Fixed assets

Fixed assets are stated at cost net of accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful life of the respective assets, as follows:

Furniture and equipment	10 years
Computers and printers	3 years
Vehicles	7 years
Leasehold improvements	5 years

2.4 Employee separation benefits

(a) Provident Fund

All area staff members of the UNRWA microfinance and microenterprise programme participate in the Provident Fund contributory scheme. Staff monthly contributions are set at 7.5 per cent of basic salary and the UNRWA share is set at 15 per cent. Under the Provident Fund rules, staff members are allowed to make additional voluntary contributions up to a maximum of 50 per cent of monthly payroll. All participants receive the lower of book or market value return on the Fund for the period of membership in the Fund. The Provident Fund is administered by the Provident Fund secretariat, with supervision and guidance provided by two committees, the Provident Fund Committee and the Investment Advisory Committee.

(b) End-of-service benefits

UNRWA staff are categorized under three categories of employment. These are:

- A category: staff contracted before 1990
- X category: staff contracted between 1990 and 1995
- Z category: staff contracted after 1 September 1999

The microfinance and microenterprise programme includes nine staff members in the A category, and the rest are in the X and Z categories. A category staff are entitled to end-of-service benefits computed at 8.5 per cent of the last annual basic salary multiplied by the number of years of service.

X and Z category staff are not entitled to end-of-service benefits except in cases of disability, ordinary death and death at work.

(c) Provision for staff benefits

The microfinance and microenterprise programme is charged by UNRWA for total staff costs, including benefits. Those costs are paid by the programme to UNRWA on a quarterly basis. Last-quarter costs are included under "bills payable to UNRWA" in the financial statements.

2.5 Foreign currency transactions

The books of accounts are maintained in United States dollars. Transactions in other currencies are translated to dollars at the United Nations exchange rate in effect as at the date of the transaction (see table below). Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated to dollars at the exchange rate in effect as at that date. Exchange rate differences arising upon translation are recognized in the statement of operating activities. All other assets and liabilities are presented in the dollar equivalent at their historical values.

	United States dollar equivalent		
Currency	*2003*	*2002*	*Change (percentage)*
1 Jordanian dinar	0.708	0.708	0.00
1 Israeli shekel	4.450	4.640	(4.09)
1 Syrian pound	51.50	-	0.00

Note 3
Cash on hand and deposits with banks

Composition (in United States dollars):

	2003	*2002*
Deposits in banks		
Current accounts	2 842 980	2 776 362
Time deposits	1 736 488	1 570 926
Time deposits held with UNRWA	1 745 133	4 673 014
	6 324 601	**9 020 302**

Note 4
Loans receivable

Loans receivable include loans outstanding from funds disbursed through both initial donor contributions (first-time loans) and revolving loan funds.

Net loans receivable

	2003			*2002*		
Programme	*Loan*	*Provision*	*Net*	*Loan*	*Provision*	*Net*
Small-scale enterprise credit	659 586	(138 500)	521 086	957 533	(476 754)	480 779
Microenterprise credit	2 644 314	(190 789)	2 453 525	1 678 991	(695 542)	983 449
Solidarity-group lending	865 592	(56 461)	809 131	688 877	(102 915)	585 962
Consumer-lending product	124 132	(6 393)	117 739	36 859	(1 304)	35 555
Total	**4 293 624**	**(392 143)**	**3 901 481**	**3 362 260**	**(1 276 515)**	**2 085 745**

Net loans receivable represent the outstanding balance of loans receivable as at 31 December 2003 less the calculated provision for uncollectable loans as at the same date. Net loans receivable constitute the net realizable value of loans disbursed.

Changes in loan balances in 2003

Programme	*Beginning*	*Issued*	*Repaid*	*Written off*	*Total*
Gaza					
Small-scale enterprise credit	811 620	311 500	(378 952)	(88 832)	655 336
Microenterprise credit	1 000 620	3 830 650	(3 181 440)	(130 609)	1 519 221
Solidarity-group lending	688 877	2 081 150	(1 835 719)	(68 716)	865 592
Consumer-lending product	36 859	324 850	(236 364)	(1 213)	124 132
Subtotal	**2 537 976**	**6 548 150**	**(5 632 475)**	**(289 370)**	**3 164 281**
West Bank					
Small-scale enterprise credit	145 913	-	(20 938)	(120 725)	4 250
Microenterprise credit	678 371	1 408 090	(910 750)	(419 268)	756 443
Subtotal	**824 284**	**1 408 090**	**(931 688)**	**(539 993)**	**760 693**
Jordan					
Microenterprise credit	-	532 062	(281 626)	-	250 436
Subtotal	**-**	**532 062**	**(281 626)**	**-**	**250 436**
Syrian Arab Republic					
Microenterprise credit	-	255 922	(137 708)	-	118 214
Subtotal	**-**	**255 922**	**(137 708)**	**-**	**118 214**
Total	**3 362 260**	**8 744 224**	**(6 983 497)**	**(829 363)**	**4 293 624**

The average monthly portfolio before allowances, calculated on a monthly basis, was $426,917 during 2002 and $496,683 during 2003.

In 2003, of the total loans receivable, 17.72 per cent were in the West Bank, 73.70 per cent were in Gaza, 5.83 per cent were in Jordan and 2.75 per cent were in the Syrian Arab Republic, against 24.47 per cent in the West Bank and 75.53 per cent in Gaza in 2002.

Loans receivable, in 2003, comprised 15.36 per cent small-scale enterprise credit loans, 61.58 per cent microenterprise credit loans, 20.16 per cent solidarity-group lending loans and 2.9 per cent consumer-lending product loans. In 2002 loans receivable comprised 28.5 per cent small-scale enterprise credit loans, 50 per cent microenterprise credit loans, 20 per cent solidarity-group lending loans and 1.5 per cent consumer-lending product loans.

Changes in the provision for loan losses in 2003

Programme	*Beginning*	*Additions (releases)*	*Written off*	*Total*
Gaza				
Small-scale enterprise credit	341 098	(115 607)	(88 832)	136 659
Microenterprise credit	156 364	106 000	(130 609)	131 755
Solidarity-group lending	102 915	22 262	(68 716)	56 461
Consumer-lending product	1 304	6 302	(1 213)	6 393
Subtotal	**601 681**	**18 957**	**(289 370)**	**331 268**
West Bank				
Small-scale enterprise credit	135 656	(13 090)	(120 725)	1 841
Microenterprise credit	539 178	(61 837)	(419 268)	58 073
Subtotal	**674 834**	**(74 927)**	**(539 993)**	**59 914**
Jordan				
Microenterprise credit	-	871	-	871
Subtotal	**-**	**871**	**-**	**871**
Syrian Arab Republic				
Microenterprise credit	-	90	-	90
Subtotal	**-**	**90**	**-**	**90**
Total	**1 276 515**	**(55 009)**	**(829 363)**	**392 143**

Of the total amount written off, 25.27 per cent was for small-scale enterprise credit loans, 66.30 per cent was for microenterprise credit loans, 8.29 per cent was for solidarity-group lending loans and 0.14 per cent was for consumer-lending product loans.

Loans receivable as at 31 December 2003, by sector

Programme	*Agriculture*	*Commerce*	*Industry*	*Service*	*Total*
Gaza					
Small-scale enterprise credit	3 289	-	382 035	270 012	655 336
Microenterprise credit	106 745	709 703	164 262	538 511	1 519 221
Solidarity-group lending	228 221	419 800	160 863	56 708	865 592
Subtotal	**338 255**	**1 129 503**	**707 160**	**865 231**	**3 040 149**
Consumer-lending product loans[a]	-	-	-	-	124 132
Subtotal	**338 255**	**1 129 503**	**707 160**	**865 231**	**3 164 281**
West Bank					
Small-scale enterprise credit	-	-	-	4 250	4 250
Microenterprise credit	706	318 658	96 255	340 824	756 443
Subtotal	**706**	**318 658**	**96 255**	**345 074**	**760 693**
Jordan					
Microenterprise credit	777	117 788	25 585	106 286	250 436
Subtotal	**777**	**117 788**	**25 585**	**106 286**	**250 436**
Syrian Arab Republic					
Microenterprise credit	-	66 997	11 982	39 235	118 214
Subtotal	**-**	**66 997**	**11 982**	**39 235**	**118 214**
Total	**339 738**	**1 632 946**	**840 982**	**1 355 826**	**4 293 624**

[a] Consumer-lending product loans are disbursed to individuals for household improvements and are not distributed among any sector.

The agriculture sector had 7.91 per cent of the outstanding loan balance, the commerce sector had 38.03 per cent, the industry sector had 19.58 per cent, the service sector had 31.57 per cent and other sectors had 2.91 per cent.

Loans receivable as at 31 December 2003, by geographic area

Programme	*Gaza area*	*Middle area*	*Southern area*	*Total*
Gaza				
Small-scale enterprise credit	240 029	241 680	173 627	655 336
Microenterprise credit	845 434	267 815	405 972	1 519 221
Solidarity-group lending	370 718	232 643	262 231	865 592
Consumer-lending product	124 132	-	-	124 132
Subtotal	**1 580 313**	**742 138**	**841 830**	**3 164 281**

Programme	*Nablus*	*Tulkarem*	*Jenine*	*Hebron*	*Total*
West Bank					
Microenterprise credit	296 294	158 616	75 678	225 855	756 443

Programme	*Bethlehem*	*Jerusalem*	*Ramallah*	*Total*
West Bank				
Small-scale enterprise credit	-	2 468	1 782	4 250
Subtotal, West Bank				**760 693**
Jordan				
Microenterprise credit				250 436
Syrian Arab Republic				
Microenterprise credit				118 214
Total				**4 293 624**

In 2003, of total loans receivable, 17.71 per cent were in the West Bank, 73.69 per cent were in Gaza, 5.83 per cent were in Jordan and 2.77 per cent were in the Syrian Arab Republic.

Note 5
Fixed assets

Composition of fixed assets (in United States dollars):

	Furniture and equipment	*Computers and printers*	*Vehicles*	*Leasehold improvements*	*Total*
Cost					
Balance 1 January	109 215	51 181	151 929	52 965	365 290
Additions	14 965	29 268	-	-	44 233
Disposals	-	-	-	-	-
Balance 31 December	124 180	80 450	151 928	52 965	409 523
Accumulated depreciation					
Balance 1 January	39 906	26 633	97 321	14 237	178 097
Additions	11 398	20 291	17 835	10 593	60 117
Disposals	-	-	-	-	-
Balance 31 December	51 304	46 924	115 156	24 830	238 214
Net book value	**72 877**	**33 526**	**36 771**	**28 135**	**171 309**

Note 6
Bills payable to UNRWA

Bills payable represent expenses incurred by UNRWA on behalf of the microfinance and microenterprise programme in respect of operating expenses, billed quarterly by UNRWA during 2002 and monthly during 2003.

Note 7
Agency contribution to the programme

This represents the contribution made by UNRWA to the microfinance and microenterprise programme at its inception. The whole amount was paid back to UNRWA during 2003.

Note 8
Temporary restricted fund

Temporary restricted net assets represent net assets whose use by the microfinance and microenterprise programme is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and released by actions of the programme pursuant to those donor-imposed stipulations. Contributions receivable represent the amount of grants due from donors for expenses and costs incurred prior to 31 December and reimbursed by donors in the subsequent period.

On 10 December 2000 a grant agreement was signed by UNRWA and the Arab Gulf Programme for United Nations Development Organizations (AGFUND) concerning a project for training small and microenterprises in the Gaza Strip. According to that agreement, AGFUND allocated the amount of $100,000 towards the achievement of the following project objectives:

(a) The provision of training courses to the business community;

(b) The promotion of entrepreneurial spirit and the requisite skills;

(c) The development of a local training capacity;

(d) The encouragement of trainers to transfer their experience to universities and vocational schools;

(e) The development of business curricula relevant to the economy;

(f) The promotion of private enterprises and small businesses to grow and compete in regional and global markets.

The financing requirements of the programme for the three-year period are estimated at $670,000, of which $570,000 will be mobilized by UNRWA from other sources and $100,000 will be provided by AGFUND. The AGFUND component shall be used to finance the following components:

		Actual		
Item	*Budgeted*	*2001*	*2002*	*Total*
Personnel	33 228	31 780	1 448	33 228
Training	47 600	35 448	12 151	47 599
Equipment	8 458	1 909	6 549	8 458
Project support	10 714	8 296	2 419	10 715
Total	**100 000**	**77 433**	**22 567**	**100 000**
Amount received from AGFUND		40 000	60 000	100 000
Outstanding balance		37 433	(37 433)[a]	-

[a] Claimed and recognized as receivable in 2002 and received in 2003.

On 2 February 2002, UNRWA signed a new agreement with AGFUND concerning a project for training small and microenterprises in the Gaza Strip. According to that agreement, AGFUND allocated the amount of $68,000 towards the achievement of the above-mentioned objectives.

The external financing requirements of the project for the 12-month period are estimated at $176,000, of which $108,000 will be mobilized by UNRWA from other sources and $68,000 will be provided by AGFUND. The AGFUND component shall be used to finance the following components:

Item	*Budget*	*Actual 2002*	*Remaining 2002*	*Actual 2003*
Personnel	36 000	30 503	5 497	5 497
Training	24 714	20 878	3 836	3 836
Project support	7 286	6 166	1 120	1 120
Total	**68 000**	**57 547**[a]	**10 453**	**10 453**

[a] Claimed and recognized as receivable in 2002 and received in 2003.

Note 9
Board-designated funds

Board-designated funds represent balances remaining from unrestricted resources (prize) received from the following sources:

(a) AGFUND prize of $150,000. The prize money was designated by the Board to cover the launching of a pilot consumer-lending product for the poor, the development of a management information system and training. The budget for this project is as follows (in United States dollars):

Piloting a consumer-lending product for the poor	60 000
Travel	16 000
Staff training	29 000
Management information system development	45 000
Subtotal	**150 000**
Less: transfer to loan revolving fund (2002)	60 000
Total	**90 000**

(b) Training fund comprising course fees charged for business/management training provided to entrepreneurs and managers to cover costs of the training unit. The composition of this fund is as follows (in United States dollars):

Training fees, 2000	34 735
Training fees, 2001	34 624
Training fees, 2002	30 299
Training fees, 2003	48 220
Subtotal	**147 878**
Less: training costs and expenses	122 293
Balance 31 December 2003	**25 585**

(c) During 2003 AGFUND granted $30,000 to the microfinance and microenterprise programme Syrian Arab Republic branch to be used as start-up capital for issuing loans. Of the total amount granted, $23,398 was disbursed as loans during 2003 and was released from board-designated fund to the loan revolving fund. The remaining balance of $6,602 was carried forward to 2004 as part of board-designated funds.

Note 10
Revolving loan funds

Restricted contributions received for on-lending purposes, which were expended as loans, are included in the revolving loan fund. The composition of this fund by funding source is as follows:

Funding source	*Gaza*	*West Bank*	*Syrian Arab Republic*	*Total*
Australia	619 272	-	-	619 272
Canada	200 370	170 220	-	370 590
Germany	1 682 252	1 276 323	-	2 958 575
Italy	725 750	218 500	-	944 250
Japan	357 142	223 199	-	580 341
New Zealand	122 822	-	-	122 822
Norway	2 794 013	340 968	-	3 134 981
UNRWA	80 000	-	-	80 000
AGFUND	60 000	-	23 398	83 398
United States Agency for International Development	4 237 197	-	-	4 237 197
Total	**10 878 818**	**2 229 210**	**23 398**	**13 131 426**

Note 11
Geographical segments

The microfinance and microenterprise programme operates out of field offices located in the West Bank, Gaza, Jordan and the Syrian Arab Republic. In the tables that follow, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets.

Balance sheet by geographical segment

(United States dollars)

	Gaza		*West Bank*		*Jordan*		*Syrian Arab Republic*		*Total*	
	2003	*2002*	*2003*	*2002*	*2003*	*2002*	*2003*	*2002*	*2003*	*2002*
Assets										
Current										
Cash on hand and deposits with banks	4 379 697	7 058 561	1 446 173	1 451 741	322 421	500 000	176 310	-	6 324 601	9 020 302
Contributions receivable	-	57 547	-	-	-	-	-	-	-	57 547
Loans receivable, net	2 833 013	1 936 293	700 779	149 452	249 565	-	118 124	-	3 901 481	2 085 745
Prepayments and other receivables	334	341	-	-	-	-	-	-	334	341
	7 213 044	**9 052 742**	**2 146 952**	**1 611 193**	**571 986**	**500 000**	**294 434**	**-**	**10 226 416**	**11 163 935**
Fixed assets, net of accumulated depreciation	53 910	62 110	62 618	75 667	32 944	30 567	21 837	18 849	171 309	187 193
Total assets	**7 266 954**	**9 114 852**	**2 209 570**	**1 686 860**	**604 930**	**530 567**	**316 271**	**18 849**	**10 397 725**	**11 351 128**
Liabilities, net assets and share capital										
Current liabilities										
Payables and accruals	10 875	10 000	11 307	67 516	10 875	-	10 875	-	43 932	77 516
Inter-office accounts	(3 035 064)	(1 483 511)	2 004 714	983 511	680 106	500 000	350 244	-	-	-
Bills payable to UNRWA	5 635	66 420	20 912	15 013	-	49 165	-	30 475	26 547	161 073
UNRWA contribution to the microfinance and microenterprise programme	-	150 000	-	350 000	-	-	-	-	-	500 000
Subtotal	**(3 018 554)**	**(1 257 091)**	**2 036 933**	**1 416 040**	**690 981**	**549 165**	**361 119**	**30 475**	**70 479**	**738 589**
Net assets										
General undesignated	(708 895)	(651 396)	(2 056 573)	(1 958 390)	(86 051)	(18 598)	(74 848)	(11 626)	(2 926 367)	(2 640 010)
Board-designated funds	115 585	144 521	-	-	-	-	6 602	-	122 187	144 521

	Gaza		*West Bank*		*Jordan*		*Syrian Arab Republic*		*Total*	
	2003	*2002*	*2003*	*2002*	*2003*	*2002*	*2003*	*2002*	*2003*	*2002*
Temporary restricted funds	-	-	-	-	-	-	-	-	-	-
Revolving loan fund	10 878 818	10 878 818	2 229 210	2 229 210	-	-	23 398	-	13 131 426	13 108 028
Subtotal	**10 285 508**	**10 371 943**	**172 637**	**270 820**	**(86 051)**	**(18 598)**	**(44 848)**	**(11 626)**	**10 327 246**	**10 612 539**
Total liabilities and net assets	**7 266 954**	**9 114 852**	**2 209 570**	**1 686 860**	**604 930**	**530 567**	**316 271**	**18 849**	**10 397 725**	**11 351 128**

Statement of operating activities by geographical segment

(United States dollars)

	Gaza		*West Bank*		*Jordan*		*Syrian Arab Republic*		*Total*	
	2003	*2002*	*2003*	*2002*	*2003*	*2002*	*2003*	*2002*	*2003*	*2002*
Operating revenues										
Interest received on loans	699 952	544 254	119 499	164 688	32 773	-	16 130	-	868 354	708 942
Recovery of written-off loans	451 783	320 854	384 525	87 906	-	-	-	-	836 308	408 760
Bank interest and other	60 371	133 775	26 195	28 111	3 334	-	1 849	-	91 749	161 886
	1 212 106	**998 883**	**530 219**	**280 705**	**36 107**	**-**	**17 979**	**-**	**1 796 411**	**1 279 588**
Releases (additional provisions) for (provision) for loan losses	(18 957)	(331 717)	74 927	(806 660)	(871)	-	(90)	-	55 009	(1 138 377)
Total operating revenues	**1 193 149**	**667 166**	**605 146**	**(525 955)**	**35 236**	**-**	**17 889**	**-**	**1 851 420**	**141 211**
Operating expenses										
Salaries and related expenses	987 063	989 536	502 613	384 224	53 034	2 964	32 621	-	1 575 331	1 376 724
Special service contracts	34 449	31 973	42 397	22 695	8 749	1 081	4 955	1 013	90 550	56 762
Audit fees	10 875	10 000	10 875	10 000	10 875	-	10 875	-	43 500	20 000
Occupancy	60 737	72 327	51 570	38 985	9 567	3 326	14 339	1 304	136 213	115 942
Communication	35 796	30 397	21 203	19 387	4 377	1 223	463	-	61 839	51 007
Stationery and supplies	6 336	4 431	775	368	-	558	720	79	7 831	5 436
Minor equipment and maintenance	10 544	10 156	14 594	11 061	3 950	7 792	2 758	8 274	31 846	37 283
Travel and transportation	50 006	28 033	17 455	7 306	273	1 017	2 409	-	70 143	36 356
Depreciation	24 637	29 660	24 487	22 689	7 009	-	3 984	-	60 117	52 349
Loss on exchange differences	(5 670)	7 709	435	139	-	-	-	-	(5 235)	7 848
Programme support cost	21 578	-	16 166	-	4 148	-	6 435	-	48 327	-
Other	14 297	3 116	759	2 164	707	638	1 552	953	17 315	6 871
Total operating expenses	**1 250 648**	**1 217 338**	**703 329**	**519 018**	**102 689**	**18 599**	**81 111**	**11 623**	**2 137 777**	**1 766 578**
Operating loss for the year	**(57 499)**	**(550 172)**	**(98 183)**	**(1 044 973)**	**(67 453)**	**(18 599)**	**(63 222)**	**(11 623)**	**(286 357)**	**(1 625 367)**

Note 12
Risk

Risk is inherent in the microfinance industry, and effective risk management is seen as the only way for microfinance institutions to keep functioning.

Ultimate responsibility for the effective management of risks rests with the Director of the microfinance and microenterprise programme. Several types of risks apply to the programme, namely:

- Credit risk is the risk that a counterparty will not settle its obligations in accordance with the agreed terms.
- Country risk is the risk that a counterparty will be unable to meet its contractual obligations as a result of adverse economic conditions or actions taken by the Government of the relevant country.
- Market risk is the exposure created by potential changes in market prices.
- Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due.
- Operational and other risks is the risk of direct and indirect loss due to an event or action causing the risks having operational risk impact.
- Political risk is the risk that an existing political situation will make it difficult for microfinance institutions to function, for example, war situations.

In Palestine, because of the present circumstances, political risk, country risk and credit risk are very high. To mitigate these risks the following steps were taken:

(a) Small-scale enterprise credit loans were significantly reduced during 2001. In this category the amount of loans is relatively high, which is a high risk factor because of the present situation. Management decided to significantly reduce its activities under this programme in both Gaza and the West Bank.

(b) Management concentrated on expanding activities under the microenterprise credit and solidarity-group lending programme categories. Those loans, ranging from $1,000 to $8,000 and $400 to $4,000 respectively, aim at distributing the risk to a larger number of borrowers.

(c) An effective internal control system and procedures were implemented. Constant follow-up and loan-monitoring procedures were introduced to reduce the credit risk of borrowers. This is shown by the collectability ratios under those programmes, which are shown in the following table for 2003.

(United States dollars)

	Programme				
	Small-scale enterprise credit	*Microenterprise credit*	*Solidarity-group lending*	*Consumer lending product*	*Total*
Gaza					
Beginning balance	811 620	1 000 620	688 877	36 859	2 537 976
Issued during 2003	311 500	3 830 650	2 081 150	324 850	6 548 150
Average amount due	822 310	1 390 530	845 954	81 709	3 140 503
Amount collected	378 952	3 181 440	1 835 719	236 364	5 632 475
Collectability ratio (percentage)	**121.65**	**83.05**	**88.21**	**72.76**	**86.02**
West Bank					
Beginning balance	145 913	678 371	-	-	824 284
Issued during 2003	-	1 408 090	-	-	1 408 090
Average amount due	195 807	1 136 670	-	-	1 332 477
Amount collected	20 938	910 750	-	-	931 688
Collectability ratio (percentage)	**10.69**	**64.68**	-	-	**66.16**
Jordan					
Beginning balance	-	-	-	-	-
Issued during 2003	-	532 062	-	-	532 062
Average amount due	-	125 218	-	-	125 218
Amount collected	-	281 626	-	-	281 626
Collectability ratio (percentage)	-	**52.93**	-	-	**52.93**
Syrian Arab Republic					
Beginning balance	-	-	-	-	-
Issued during 2003	-	255 922	-	-	255 922
Average amount due	-	59 107	-	-	59 107
Amount collected	-	137 709	-	-	137 709
Collectability ratio (percentage)	-	**53.81**	-	-	**53.81**
Total (percentage)	**128.38**	**74.86**	**88.21**	**72.76**	**79.86**

D. Financial statements of the Area Staff Provident Fund

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

AREA STAFF PROVIDENT FUND
STATEMENT OF
FINANCIAL PERFORMANCE
For the Year 2003
(In USD)

2002		NOTE	2003
	Income:		
42 578 183	Gross Investment Income	4	114 814 663
168 990	Income from loans scheme	6	54 294
42 747 173	**TOTAL INCOME**		**114 868 957**
	Expenses:		
1 796 127	Investment Management fees	8	1 726 461
348 746	General administration expenses	9	304 839
48 344	Participants loan scheme administration expenses	9	71 580
2 193 217	**TOTAL EXPENSES**		**2 102 880**
40 553 956	**NET INCOME FOR THE YEAR**		**112 766 077**
(120 646)	Transfer (To)/From Reserve For Loan Administration Expenses	7	17 286
40 433 310	**INCOME AVAILABLE TO THE CREDIT OF MEMBERS**		**112 783 363**

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

NET ASSETS
As at 31 December 2003
(In USD)

31.12.2002			NOTE	31.12.2003	
		ASSETS			
	337 693	Security Lending and cash		62 121	
	764 004 648	Investments:	13 & 14	861 311 088	
764 342 341					**861 373 209**
(2 887 544)		Accounts Receivable-UNRWA	10		**3 150 069**
12 872 297		Accrued Investment Income			**13 148 107**
59 267 350		Humanitarian loans to members	6		**53 985 302**
833 594 444		**TOTAL ASSETS**			**931 656 687**
		LIABILITIES			
	676 326	Accrued Management fees		721 591	
	282 083	Ex-participants' credits		187 753	
958 409		Total Liabilities			**909 344**
832 636 035		**NET ASSETS**			**930 747 343**
		REPRESENTED BY:			
	732 969 691	Member's credits	12	766 453 758	
	59 267 350	Restricted members' credits on loans	6	53 985 302	
	39 800 559	Income available to members		109 727 134	
	598 435	Reserve for loan administration expenses	7	581 149	
832 636 035		**MEMBERS BALANCES & RESERVES**			**930 747 343**

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

2002		DETAILS	2003	
Members credits	Income / (Loss)		Members credits	Income / (Loss)
789 148 221	**(4 087 139)**	**Balance as at 1 Janaury 2003**	**732 969 691**	**39 800 559**
15 283 510		Contributions - Members	13 755 797	
25 225 361		Contributions - Agency	25 269 331	
11 146 123		Loan Repayments	10 711 456	
(87 479 874)		Withdrawals	(53 675 997)	
(16 899 262)		New Loans	(5 429 407)	
(4 017 863)	4 017 863	2002 Interest Credited to Members	39 464 513	(39 464 513)
(124 283)	124 283	2002 Interest Paid to separated Members	350 796	(350 796)
		Additional interest paid to Members		(3 901)
687 758	(687 758)	2003 Interest paid to separated Members	3 037 578	(3 037 578)
	40 433 310	2003 Interest Income available to Members		112 783 363
732 969 691	**39 800 559**	**Balance as at 31 December 2003**	**766 453 758**	**109 727 134**

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

For The Year [illegible]
(In USD)

Year 2002	DETAILS	Year 2003
	CASH FLOWS FROM OPERATING ACTIVITIES:	
40 433 310	Net Income Available For Distribution	112 783 363
	Add:	
(98 527)	Increase in Accrued Management Fees	45 265
	Less:	
547 136	Increase in Accrued Income	(275 810)
40 881 919	Net Cash flows from Operating activities	112 552 818
	CASH FLOWS FROM INVESTING ACTIVITIES :	
10 898 746	Increase in Investments	(97 306 440)
	Add:	
(3 603 131)	Decrease in Humanitarian Loans to Members	5 282 048
7 295 615	Net Cash flows from Investing Activities	(92 024 392)
	CASH FLOWS FROM FINANCING ACTIVITIES :	
(56 178 530)	Increase in Members Credits	33 484 067
	Less:	
3 603 131	Decrease in Restricted Funds for Loan Scheme	(5 282 048)
120 646	Reduction in Reserve for Loan Administration Expenses	(17 287)
3 454 388	Income Credited to Members	(42 856 788)
2 253 869	Increase in Accounts Receivable - UNRWA	(6 037 613)
(1 329 880)	Decrease in Ex-Participants Credits	(94 329)
(48 076 376)	Net Cash Flows from Financing Activities	(20 803 990)
101 158	**NET DECREASE IN CASH BALANCES**	(275 572)
236 535	Opening Cash Balance	337 693
337 693	Closing Cash Balance	62 121
101 158	Net Increase/(Decrease) in Cash Balance	(275 572)

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

[redacted]
STATEMENT OF
INVESTMENTS AND INVESTMENT INCOME
For the Year 2003
(in USD)

	Baring Int'l	Deutsche Bank	Fiduciary Trust	Julius Baer	Lombard Odier	Gulf Int'l Bank - Equity	Putnam Investment	Security Lending & Cash	Total
Investments as at 01.01.2003	201 828 635	110 174 585	195 546 750	106 141 359	71 763 798	67 865 895	22 942 526	274 764	776 538 312
add:									
Funding and transfers during the year	(5 500 000)	(1 000 000)	(2 500 000)	(6 400 000)	(79 292 454)	75 603 584	3 582 163	(320 111)	(15 826 818)
Investments Net of Funding	**196 328 635**	**109 174 585**	**193 046 750**	**99 741 359**	**(7 528 656)**	**143 469 479**	**26 524 689**	**(45 347)**	**760 711 494**
Realized investment income	19 271 997	6 452 477	20 386 801	10 283 655	7 656 321	30 045 103	7 273 388	296 843	101 666 585
add:									
Accrued income	3 319 300	2 790 915	4 046 559	2 629 610	29	292 119	69 534	42	13 148 107
deduct:									
Accrued Management Fees	53 716	86 069	156 167	43 079	69 232	137 911	112 292	63 125	721 591
Investment managers' fees	156 542	85 239	153 957	125 974	127 665	78 335	87 783	189 375	1 004 870
Net investment income	**22 381 038**	**9 072 084**	**24 123 236**	**12 744 212**	**7 459 453**	**30 120 976**	**7 142 847**	**44 385**	**113 088 231**
Investments as at 31.12.2003	**215 444 090**	**115 541 823**	**213 279 584**	**109 899 040**	**0**	**173 436 247**	**33 710 294**	**62 121**	**861 373 209**

UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

[redacted]

Balances
31 December 2003

	Baring Int'l	Deutsche Bank	Fiduciary Trust	Julius Baer	Gulf Int'l Bank - Equitiy	Putnam Investment	Totals
EUROPE	22	21	33	47	30	28	30
PACIFIC BASIN	17	8	12	8	12	8	12
NORTH AMERICA	61	71	55	45	58	64	58
TOTAL	100	100	100	100	100	100	100

[redacted]

Type (Market Value)
31 December 2003

	Baring Int'l	Deutsche Bank	Fiduciary Trust	Julius Baer	Gulf Int'l Bank - Equitiy	Putnam Investment	Totals
%CASH	7	6	7	3	5	1	5
%BONDS	93	94	93	97	-	-	73
%EQUITIES	-	-	-	-	95	99	22
%TOTAL	100	100	100	100	100	100	100

UNITED NATIONS RELIEF AND WORKS AGENCY
FOR PALESTINE REFUGEES IN THE NEAR EAST

PROVIDENT FUND
ADMINISTRATION EXPENSES
For the Year 2003
(In USD)

2002		2003
	Provident Fund Secretariat:	
150 355	Staff Costs - Established Posts	163 019
5 212	Computer Equipment & Furniture	4 813
51 568	Travel Costs	32 131
5 571	Telecommunications	1 036
20 748	Other Costs	5 407
233 454	**Total**	**206 406**
163 636	Agency's Administration Expenses	170 013
397 090	**Total Administration Expenses**	**376 419**
	Allocated between:	
348 746	General Administration	304 839
48 344	Loan Scheme Administration	71 580
397 090	**Total Administration Expenses**	**376 419**

Notes to the Provident Fund financial statements

Note 1
Description of the Provident Fund

The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) Provident Fund is a retirement benefit plan, which applies to all area staff members, who are eligible to participate after six months' service. It is a defined-contribution plan, whereby the amounts to be paid as retirement benefits are determined by contributions to the Fund together with investment earnings thereon. The Provident Fund had 24,660 members as at 31 December 2003. The staff contribution is a mandatory 7.5 per cent of salary and is matched by an Agency contribution of 15 per cent. Staff members can also make additional voluntary contributions. The Fund is administered by the Provident Fund secretariat. Two committees, the Provident Fund Committee and the Investment Advisory Committee, provide additional governance. The Commissioner-General has ultimate authority over the Fund.

Note 2
Summary of significant accounting policies

Basis of presentation

(a) The financial statements have been prepared in conformity with International Accounting Standards and generally accepted accounting principles.

(b) The fundamental accounting assumptions of going concern, consistency and accrual are followed in the financial statement presentation.

(c) The financial statements are prepared under the historical cost convention, with the exception of investment assets, which are reported at market value.

Investment valuation

(d) The investments have been valued as at 31 December 2003 on the basis of current market value. The basis of valuation was changed prospectively from 1 July 2002 from the lower of book or market value to market value.

Investment income recognition

(e) Interest income is accrued at the balance sheet date. Realized and unrealized capital gains and losses on bonds and equity investments are included as income or are charged against income.

Rates of exchange

(f) The Provident Fund is denominated in United States dollars. Investment managers' transactions executed in other currencies are booked in dollars at the market rates of exchange prevailing at the time of the transaction. Provident Fund liabilities and expenses in other currencies are translated to dollars at the United Nations operational rate of exchange prevailing at the time of the transaction.

Changes in accounting policy

(g) The financial reporting period for the Provident Fund has been changed from a biennial to an annual basis, as the income available to members is calculated and credited to members' accounts annually.

Note 3
Investments and asset allocation

The asset allocation strategy of 75 per cent bonds and 25 per cent equities remains unchanged. However, the actual asset allocation of the portfolio as at 31 December 2003 was 71 per cent bonds, 22 per cent equities and 7 per cent cash owing to market movements. The Provident Fund employed the services of six investment managers in 2003, four with bond mandates and two with equity mandates. The service of a third equity manager, Lombard Odier, was terminated during the year. The custody of the Fund's assets is with a global custodian, the Northern Trust Company. Northern Trust also administers a securities-lending programme on behalf of the Fund, as well as being responsible for measuring manager performance. The market value of investments as at 31 December 2003 was $861,373,209, in addition to an accrued income of $13,148,107.

Note 4
Investment Income

Gross investment income for 2003 comprises the following:

(United States dollars)

2002	*Investment income*	*2003*
30 544 896	Interest from fixed-income securities	29 403 932
3 128 000	Dividends from equities	3 872 906
(15 849 283)	Realized capital gains/(losses)	33 139 188
24 434 308	Unrealized capital gains/(losses)	48 128 782
320 262	Income on cash and securities lending	269 855
42 578 183	**Total**	**114 814 663**

Note 5
Investment performance

Investment objective

The fund managers' investment performance is measured against UNRWA customization of market benchmarks. The construction of these benchmarks is as follows:

- Combined custom benchmark: 75 per cent fixed income and 25 per cent equities
- Fixed-income custom benchmark: Lehman Global Aggregate Index 40 per cent hedged to the United States dollar

- Equity custom benchmark: Morgan Stanley Capital International world developed markets net index

The fixed-income managers Baring International, Deutsche Asset Management, Fiduciary Trust and Julius Baer are expected to achieve returns in excess of the UNRWA fixed-income custom benchmark, whereas the global equity managers Gulf International Bank and Putnam are expected to achieve performance in excess of the return from the UNRWA equity custom benchmark. For all managers, preservation of capital is to be deemed of primary importance, with liquidity secondary.

Fund performance

The total fund achieved positive performance in 2002 and 2003. The following table summarizes Provident Fund aggregate and asset class performance against the relative benchmarks for 2002 and 2003:

(Percentage)

2002	*Asset class/benchmark*	*2003*
15.00	Total fixed-income managers	11.45
14.02	Market fixed-income customized benchmark	9.00
(20.99)	Total equity managers	27.80
(20.09)	Market equity customized benchmark	33.11
5.57	Total Provident Fund	14.97
4.92	Market combined customized benchmark	14.79

Note 6
Provident Fund loan scheme

For purposes of greater transparency, the Provident Fund loan scheme has been included in the statement of net assets for 2002 and 2003 rather than in the notes to the financial statements. UNRWA staff members are eligible for humanitarian loans for the purposes of education, medical and housing needs. Loans are granted only to those staff members qualifying under the strict eligibility criteria of the scheme. Loans are restricted in that members do not earn income on the amount of their balances distributed as loans. An administration fee of 1 percentage point is charged on all Provident Fund loans. As at 31 December 2003, 9,895 members had 16,459 loans outstanding amounting to $53,985,302, while at 31 December 2002, 10,151 members had 16,683 loans outstanding amounting to $59,267,350.

Note 7
Reserve for loan administration expenses

A reserve account has been established for any excess remaining from the administrative fee levied on Provident Fund loans and actual loan administrative expenses. This allows for any future shortfalls in expenditure during the life of the loans.

(United States dollars)

2002	*Reserve for loan administration expenses*	*2003*
477 789	Balance as at 1 January	598 435
120 646	Transfer to/(from) reserve	(17 286)
598 435	**Balance as at 31 December**	**581 149**

Note 8
Management fees

Investment management and custodial fees are deducted from the earnings of the Provident Fund.

Note 9
Administrative costs

The administrative expenses statement outlines expenses incurred by the Provident Fund secretariat and other Agency departments in the course of administering the Fund. The Agency expenses are allocated between general and loan scheme administration.

Note 10
Accounts receivable

The movement of funds and the resulting amount owed by UNRWA to the Fund as at 31 December 2003 is given below.

(United States dollars)

2002	*Accounts receivable, UNRWA*	*2003*
(633 675)	Amount due to UNRWA as at 1 January	(2 887 544)
	Add: inflows to the Fund	
15 283 510	Members' mandatory and voluntary contributions	13 755 797
25 225 361	Agency contributions	25 269 331
	Add: adjustments to members' credits	64 453
40 588 871	**Subtotal**	**39 089 581**
11 146 123	Loan repayments	10 711 456
168 990	Loan administration fees	54 294
52 028 253	Net Fund transfers to UNRWA	15 826 818
63 343 366	**Total inflows**	**26 592 568**

2002	Accounts receivable, UNRWA	2003
	Less: outflows from the Fund	
87 479 874	Withdrawals by separating members	53 675 997
16 899 262	Humanitarian loans	5 429 407
397 090	Administrative expenses	376 420
1 329 880	Payments from ex-participants' credits	158 783
-	Additional interest paid to participants	3 929
106 106 106	**Total outflows**	**59 644 536**
(2 887 544)	**Amount due (to)/from UNRWA as at 31 December**	**3 150 869**

Note 11
Membership details

Changes in the membership of the Provident Fund during 2003 are as follows:

2002	Membership details	2003
22 987	Number of members as at 1 January	23 663
1 789	Add: new members' accounts	1 657
1 113	Less: members' accounts closed	660
23 663	**Number of members as at 31 December**	**24 660**

Note 12
Members' credits

Members' credits comprise the Provident Fund balances applicable to staff at the following locations:

(United States dollars)

2002	Location	2003
251 815 768	Gaza and Cairo	266 961 869
76 438 348	Lebanon	80 167 680
61 425 554	Syrian Arab Republic	64 852 854
204 520 458	Jordan	208 470 717
122 285 674	West Bank	129 197 360
9 716 247	Headquarters (Amman)	10 324 648
6 767 642	Headquarters (Gaza and Vienna)	6 478 630
732 969 691	**Total**	**766 453 758**

Note 13
Investments by fund managers

The market value of investments held by each of the fund managers as at year's end is shown below:

Market value 2002	*Fund manager*	*Market value 2003*
197 972 067	Baring International	215 444 090
108 156 932	Deutsche Bank	115 541 823
191 073 275	Fiduciary Trust	213 279 594
104 262 454	Julius Baer	109 899 040
67 804 998	Gulf International Bank — Equity	173 436 247
71 743 536	Lombard Odier	-
22 991 386	Putnam Investment	33 710 294
764 004 648	**Total**	**861 311 088**

Note 14
Investment by type

A breakdown of the type of investments held and their market value at year's end is given below:

(United States dollars)

Market value 2002	*Investment type*	*Market value 2003*
14 626 013	Cash and cash equivalents	42 423 182
591 883 242	Bonds	620 230 741
157 495 393	Equity	198 657 165
764 004 648	**Total**	**861 311 088**

Note 15
Reclassifications

Certain accounts in the financial period were reclassified or have been restated to comply with the Financial Regulations and recommendations made by the United Nations Board of Auditors and to improve the presentation of the financial statements.

04-44143 (E) 300904